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Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES

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HOUSE POST AUDIT AND OVERSIGHT BUREAU

ROOM 146 • STATE HOUSE • BOSTON, MASSACHUSETTS 02133-1053

CHARLES RIVER HOSPITAL - WEST

INTERIM REPORT

March, 1994

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Summary

Financial problems at Charles River Hospital-West have remained serious enough to raise questions about whether adequate services can be provided to state patients there in both the short and long term, according to an interim report by the House Post Audit and Oversight Bureau.

At the same time, according to the Bureau's final report, current and former administrators at the hospital have been reimbursed for tens of thousands of dollars in expenses during the past two years that include meals, conferences in other states, college tuition in Connecticut for one top administrator and memberships in an exclusive club in Springfield, Massachusetts, for at least two administrators.

The Bureau has spent more than a year investigating a $7 million per-year contract arrangement between Charles River Hospital-West and the Department of Mental Health and is recommending that its findings be referred to the state attorney general and state auditor. After issuing a preliminary report in October 1993, the Bureau examined court records involving the hospital, subpoenaed bank, financial and other records at the hospital, and interviewed current and former employees there.

The Bureau concludes that the Charles River Hospital-West state units have remained beset by financial problems, including a failure to pay vendors for services and equipment and to make mortgage payments for at least eight months in the past year. The Bureau reviewed 16 complaints filed by vendors in Springfield and Chicopee district courts seeking close to $300,000 in damages from Charles River Hospital-West. An additional 11 vendors said they were owed approximately $36,000.

The Bureau also found that the hospital failed to pay nearly $2 million in payroll taxes to the state and federal governments and bounced hundreds of thousands of dollars in employee paychecks in 1993 and early 1994.

Among other findings in the Bureau's interim report:

1. Charles River Hospital-West has been unable for financial reasons to provide certain basic safety services to its patients, such as installing covers on radiators in all rooms to prevent patients from burning themselves.

2. Charles River Hospital-West and affiliated companies have periodically transferred hundreds of thousands of dollars among themselves in a difficult-to-trace pattern of wire and check transactions.

3. The DMH vastly overestimated the amount of federal Medicaid funding which Charles River Hospital-West would be eligible to receive. As a result, the state has been required to pay a

far larger portion of the cost of care at the hospital than anticipated.

4. The Medicaid licensing arrangement for the hospital does not appear to meet federal guidelines.

5. A series of close relationships among consultants and the DMH in the Charles River Hospital-West contract arrangement raises questions about the process of selecting the hospital, developing its budget and obtaining the Medicaid license.

Based on all documents reviewed to date, the Bureau further questions the rationale given by Charles River Hospital-West for future improvement in its financial condition -- a rationale based on questionable projections of increases in patient census and revenues. It appears the hospital's major means of improving its financial projections has been to increase its per diem rate for the care of privately insured patients from $631 to $750 this year. Yet, this increase would affect only a handful of patients at the facility who receive no public assistance.

Finally, the report concludes that the DMH has failed to exercise necessary oversight over the state units at Charles River Hospital-West and appears to lack comprehensive plans for either recitifying problems there or selecting a more appropriate vendor for the hospital services. As a result of its investigation, the Bureau is recommending that the DMH institute improved financial review mechanisms for its contracts with psychiatric hospitals throughout the Commonwealth.

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I. Introduction

On October 15, 1993, the House Post Audit and Oversight Bureau (the "Bureau") issued a preliminary report identifying several problems with the referral by the state of 45 patients to Charles River Hospital-West, a privately run psychiatric hospital in Chicopee, Massachusetts.

Charles River Hospital-West has become a critical component of the administration's privatization efforts and has been strongly defended by the administration as a successful example of privatization. Three state-funded units were opened at the hospital in April 1992 following the administration's decision in 1991 to close Northampton State Hospital. (For more background on the closure of Northampton State Hospital, see the Bureau's preliminary report).

Despite the administration's claims of success with Charles River Hospital-West, the Bureau noted in its preliminary report that the Department of Mental Health ("DMH") had acted irresponsibly in approving the $10.7 million, 16-month contract arrangement involving the hospital because the DMH was aware that both the hospital and its parent company, Community Care Systems Inc. ("CCSI"), had serious financial problems. The Bureau found that although there was evidence as of October 1993 of substantial improvement in the hospital's level of care, the hospital's staff, at least initially, was inadequately trained to care for the state patients and the hospital's physical facilities were

deficient. In addition, the Bureau -- citing DMH and hospital documents -- noted that the daily per patient cost at Charles River Hospital-West was significantly higher than the cost at Northampton State Hospital.

The Bureau also found in its initial report that as late as a year after the first state patients were admitted to Charles River Hospital-West, hospital administrators increased administative costs and were unable to keep financial records in proper order. The Bureau further questioned the validity of a "wrap-around" licensing arrangment involving Charles River Hospital-West which enabled the hospital to qualify for federal Medicaid reimbursement.

After issuing the preliminary report, which was sharply disputed by the administration, the Bureau, under the direction of the House Post Audit and Oversight Committee, continued to investigate the Charles River Hospital-West arrangement. The Committee issued subpoenas for the hospital's bank and payroll records, patient incident reports, insurance and other records and subpoenaed audit and financial information from the DMH and from Providence Hospital, the current license holder for the state units at Charles River Hospital-West. The Bureau and the Committee also questioned Mental Health Commissioner Eileen Elias about the preliminary findings at a hearing on October 27, 1993. The Bureau further examined records in district courthouses in Hampden and Norfolk counties, visited Charles River Hospital-West three times, and interviewed current and former hospital

employees, state officials and vendors doing business with Charles River Hospital-West. On January 20, 1994, the Bureau met with three DMH officials, including the agency's associate general counsel and the director of the agency's Western Massachusetts Area office, to discuss the Bureau's findings in its followup investigation. (The Bureau extended several invitations to the chairman of CCSI to discuss the same findings.)

Based on its initial and followup investigations, the Bureau concludes in this interim report that the Charles River Hospital-West DMH units remain beset by financial problems that are serious enough to jeopardize any improvements in care and conditions which may have occurred there.

Contrary to claims by the administration and Charles River Hospital-West officials that "startup" problems with the state units were largely solved in the initial months of operation of the units, the Bureau has found that a wide range of such problems have continued. The followup investigation showed that those problems include the hospital's continuing failure to pay vendors for services and equipment, as well as its failure to pay state and federal taxes and to pay its mortgage for at least eight months in 1993.

The Bureau also found that Charles River Hospital-West bounced hundreds of thousands of dollars in employee paychecks in 1993 and early 1994 and has failed to provide certain basic safety features for patients. At the same time, administrators and staff

at Charles River Hospital-West incurred tens of thousands of dollars in travel and entertainment expenses in the past two years and engaged in a seemingly haphazard series of transfers of funds with affiliated companies.

The Bureau would note that Charles River Hospital-West has entered into repayment plans for its mortgage and back taxes and has attempted to pay bills owed some, but not all, vendors. These repayment plans, however, which often cover only a portion of the amounts owed, do not necessarily indicate improving financial health for the hospital, in the Bureau's view. In fact, many of the hospital's attempts to pay money owed to vendors were initiated last fall, in the midst of the Bureau's investigation of this very problem.

The Bureau would also discount the argument put forth by top CCSI officials that any financial problems at Charles River Hospital-West have been due largely to the state's failure to pay the hospital promptly for services. A Holyoke Hospital official stated that, with one exception, the state had not been late in making payments to Holyoke Hospital, which held the license for the state units at Charles River Hospital-West through July 30, 1993. That exception involved the final payment to Holyoke Hospital under its contract. The $360,000 payment was delayed for several months because the DMH had questioned certain hospital costs, according to the official.

The Bureau would further note that it has not been the purpose of its initial or followup investigations to compare the care

and conditions at Charles River Hospital-West with those at Northampton State Hospital. The Bureau offers no opinion on the decision to close the state hospital. The Bureau believes, however, that the state hospital was shut down hastily and with a lack of planning, and that Charles River Hospital-West has not been demonstrated to be an adequate replacement facility for former state hospital patients.

As a result of its followup investigation, the Bureau specifically finds the following:

1. Charles River Hospital-West had failed as of June 30, 1993 to pay $1.8 million in employee payroll taxes to the state and federal governments, resulting in the placement by the state Department of Revenue of a $415,862 lien on the hospital's property on August 30, 1993. The federal Internal Revenue Service filed a $205,251 lien on the Wellesley property of Community Care Systems Inc. ("CCSI"), the hospital's parent company, on November 18, 1993. (See Exhibits #1 and 2).

Although Charles River Hospital-West made at least $925,700 in late payments to the IRS in 1993, according to checks examined by the Bureau, it was not clear as of late December whether the payments covered the entire amount owed the federal government. The Bureau viewed only two checks issued to the state Department of Revenue by Charles River Hospital-West. Those checks were a $3,358.49 check issued on August 6, 1993 and a $25,000 check issued on September 30, 1993. The first check was stamped "insufficient funds," but cleared on August 25, 1993. The second check initially bounced on October 13, but was redeposited and cleared on October 15. (See Exhibit #3).

2. Charles River Hospital-West failed to make payments on its $13.6 million mortgage for its Chicopee facility between March and October 1993, according to the mortgage company and audit reports. (See Exhibit #4).

(Under a revised payment plan, which started in October 1993, the hospital had paid roughly $135,000 of an outstanding balance of $1 million in mortgage interest, the president of the mortgage company told the Bureau in early January 1994. But it remains unclear to the Bureau whether the hospital will be finanically able to meet even the revised schedule over a prolonged period of time.) A related company, Lake Shore Hospital in Manchester, New Hampshire, meanwhile, has defaulted on a separate $13 million

mortgage, according to a suit filed in Dedham District Court against CCSI.

3. Charles River Hospital-West has continually failed to make timely payments to more than two dozen vendors for basic services ranging from supplying clinical personnel, to making repairs to the facility. In checking court records and interviewing vendors, the Bureau identified 13 firms which claimed in late December 1993 that they were still owed more than $190,000 by the hospital for services dating as far back as 1991. The Bureau noted 16 lawsuits filed in Chicopee and Springfield district courts by vendors against Charles River Hospital-West between 1992 and 1993, with default judgments entered in almost every case. The lawsuits sought a total of $294,630 in damages from Charles River Hospital-West.

4. Charles River Hospital-West has had hundreds of thousands of dollars worth of employee paychecks returned for insufficent funds. In a nine-month period examined between March and November 1993, the Bureau found tens of thousands of dollars in either bounced checks or overdrafts in each of five of those months.

In September 1993, the hospital bounced checks twice totalling $92,000. Pay checks bounced after having been issued to at least 74 employees that month, including the chief executive officer of Charles River Hospital-West. (See Exhibit #5). For at least 15 of those employees, pay checks bounced twice in September. October records show $80,000 worth of bounced checks from a company corporate account.

(While DMH officials acknowledged a problem with bounced checks, they asserted to the Bureau that the problem did not occur after the fall of 1993. However, the Bureau found that an additional nine checks totalling $10,877 from the Charles River Hospital-West payroll account bounced in mid January 1994. See Exhibit #6.)

5. Charles River Hospital-West has been unable to provide certain basic safety services for most patients, such as placing covers on radiators in all rooms to prevent burns. (See Exhibit #7a-d). Also, on a number of occasions, staff of the hospital have had to haul hospital garbage to the dump because the garbage hauler has periodically cut off service due to non-payment.

6. Administrators and other staff at Charles River Hospital-West have been reimbursed for tens of thousands of dollars in expenses in the past two years, including meals, conferences in other states and memberships in a club in Springfield, Massachusetts. The former president of the hospital, for instance, was reimbursed for more than $10,000 in travel and entertainment expenses in an 11-month period, including $1,866 for a conference in San Francisco, for which no backup explanation was provided. The current chief executive officer has been reimbursed for more than $1,200 in a two-month period in July and August 1993 for

membership in the Springfield-based Colony Club.

Also, Charles River Hospital-West paid more than $7,000 to the University of Connecticut in tuition costs for the hospital's chief executive officer. (Records show both the chief executive officer and former president of Charles River Hospital-West approved their own reimbursement reports).

The total "travel and entertainment" bill for Charles River Hospital-West employees exceeded $50,000 in the 1993 fiscal year, according to the hospital's auditing firm. (See Exhibit #8). While these expenses might be considered reasonable for an organization in sound financial health, they raise questions when viewed in the context of the overall financial picture of the company. An undetermined amount of those travel and entertainment costs have been passed on to state taxpayers.

7. Charles River Hospital-West and affiliated companies, including CCSI, have periodically transferred hundreds of thousands of dollars among themselves in a difficult-to-trace pattern of wire and check transactions. The Bureau finds that, at best, the transactions show inefficient cash management among the various entities. In some cases, the inter-company transfers appear to have been made to meet payroll costs in various companies, although not necessarily in time to prevent payroll checks from bouncing. In other cases, it appears checks written by Charles River Hospital-West to CCSI and affiliated companies were for management fees or to pay back previous loans. The Bureau, however, was unable in most cases to find documentation listing the purposes of the checks to affiliated parties. An independent audit by KPMG Peat Marwick for the six-month period ending March 31, 1993, also found a lack of documentation supporting the management fees.

The Bureau would note that it is unclear what role CCSI and other related companies have in managing Charles River Hospital-West, which has its own administrative team.

The Bureau also found checks issued by Charles River Hospital-West to the president of CCSI, with no apparent explanation or backup. On one day -- April 8, 1992 -- the hospital issued two checks totalling more than $9,000 to the president of CCSI. One check was labelled "bonus" and the other "expenses." (See Exhibits #9 and 10).

Before discussing these findings in detail in subsequent sections of this report, the Bureau would make a few observations here.

First, the Bureau would note that despite repeated claims by CCSI and Charles River Hospital-West officials of improvement in their

respective financial conditions, two independent auditing firms have issued highly critical reports about both corporations. Both have expressed "substantial doubt" about the ability of CCSI and Charles River Hospital-West to continue as going concerns.

The Bureau would also note that DMH Commissioner Elias herself raised the issue of the possible bankruptcy of CCSI, during the October 27, 1993 hearing before the Post Audit Committee. Elias stated, according to the hearing transcript, that she had been "consistently sensitive to the parent company's possible bankruptcy issues..." (Page 40)

The Bureau, based on documents reviewed to date, would further question the rationale given by Charles River Hospital-West for future improvement in its financial condition. That rationale appears to be based on major projected increases in patient census and revenues at the hospital in the current fiscal year. The Rate Setting Commission, has in fact, already denied those census projections. It appears that the hospital's major means of improving its financial projections will be to increase its per diem rate for care of privately insured patients from $631 to $750 this year, according to hospital budget documents filed in November 1993 with the Rate Setting Commission.

A second issue which the Bureau would address here and in greater detail later in this report concerns the Administration's claim that the cost of care at Charles River Hospital-West is lower than at Northampton State Hospital because of a shorter length of stay at the private facility and because of the private

hospital's eligibility for federal Medicaid reimbursement. (Unlike Northampton State Hospital, which was not eligible for Medicaid reimbursement, Charles River Hospital-West was approved for Medicaid reimbursement after entering into a "wrap-around" license arrangement, first with Holyoke Hospital and then with Providence Hospital.)

The Bureau would note that the length-of-stay statistics cited by the Administration do not appear to take into account the recidivism rate at Charles River Hospital-West or at other private psychatric facilities. The Bureau was told by several advocates for the mentally ill that the shutdown of three state hospitals in the Commonwealth in the past two years has caused both an increase in the number of homeless mentally ill in the state and in the number of patients being repeatedly admitted and discharged from private psychiatric facilities. The Bureau is continuing to investigate this phenomenon.

The Bureau also found that the DMH vastly overestimated the amount of Medicaid funding which Charles River Hospital-West would be eligible to receive. Holyoke Hospital records show that as of July 31, 1993, the Charles River Hospital-West state units received $9 million in total revenues, of which only $777,000 was paid in Medicaid funds.

Based on the Holyoke Hospital documents, the Bureau calculated that even if all Medicaid billed by Holyoke Hospital for the Charles River Hospital-West units was fully paid by the state and federal governments, total federal and private "Third-Party"

funding would amount to $163.57 a day out of total funding for the state units of $601.16. That is about half the federal and private Third-Party revenues which the administration has claimed are available to the state units. (If federal and other Third-Party funding is disregarded and per diem costs are directly compared, the Charles River Hospital-West state unit cost through July 1993 was $195 a day higher than the cost at Northampton State Hospital -- a rate 48 percent higher. The comparison is based on a cost analysis done in May 1992 by Holyoke Hospital.)

In addition to questions about Medicaid reimbursement, the Bureau has concerns about the licensing process for the state units at Charles River Hospital-West and the validity of the wrap-around arrangement. For instance, the arrangement does not appear to meet guidelines by the federal Health Care Financing Administration ("HCFA") which suggest a "single owner" arrangment involving the psychiatric unit and the general hospital. In fact, the Bureau found that the corporate owners of the general hospital and the psychiatric hospital are separate and distinct. The Bureau understands that HCFA has begun investigating the validity of the Charles River Hospital-West license arrangement.

The Bureau has further concerns over a series of close relationships among consultants and the DMH in the Charles River Hospital-West contract arrangement. For instance, a prinicpal officer with Public Consulting Group, which was hired by the DMH in December 1991 to prepare a budget for the Charles River

Hospital-West unit, had previously been employed as a vice president of CCSI. That same official was asked by the DMH in January 1992 to evaluate Charles River Hospital-West's financial qualifications for the contract for the state unit.

The president of Public Consulting Group was also involved in negotiations with Providence Hospital in 1993 over the rates charged for the unit and was involved with DMH in 1992 in a similar wrap-around license arrangement stemming from the closure of Danvers State Hospital.

The Bureau is further troubled by the fact that at least one consultant to Charles River Hospital-West, who was involved in submitting the hospital's Medicaid certification plan to HCFA, had previously been a HCFA official.

Because of the Bureau's heightened concerns about the financial viability of Charles River Hospital-West, the non-payment of taxes and the lack of backup for certain administrative expenses and wire transfers and checks to affiliates, the Bureau is recommending that this report be referred to the attorney general and state auditor for further investigation of the financial status of the parent and affiliated corporations.

II. Administrative, travel and entertainment costs

"Travel and entertainment" expenses at Charles River Hospital-West totalled $50,199 for the year ending June 30, 1993, while "dues and subscriptions" totalled an additional $10,512,

according to an audit by Shapiro & Lieberman, which was completed on October 22, 1993. Based on reimbursement reports, the Bureau determined that the former president of the hospital was reimbursed for $10,126.66 in travel and expenses between Februrary 1992 and January 1993. The current chief executive officer was reimbursed for $1,896.33 in expenses between January and August 1993 (the most recent month for which data were available), with $1,279.34 of that amount earmarked in Colony Club dues and expenses. The hospital also paid $7,000 in July and August 1993 for the chief executive officer's tuition costs at the University of Connecticut.

The Bureau was unable to determine how much of those expenses were disallowed for state reimbursement, in part because the budget reconciliation statements provided by Holyoke Hospital did not include a line item for travel and entertainment. Because Charles River Hospital-West serves both private and public patients, the state contract provides for payment of half the cost of administrative items approved for state reimbursement, according to Holyoke Hospital officials.

Information provided to the Bureau indicates that the DMH itself has done little if any analysis of Charles River Hospital-West administrative and other costs. (In fact, when Commissioner Elias was asked during the October 27, 1993 hearing about cash-flow problems at Charles River Hospital-West, she replied, "that is a Holyoke (Hospital) problem. Any more detail about that, I would request that Holyoke needs to provide that information. But, yes,

we were thoroughly updated, and Holyoke was in charge of that fiscal aspect." (Transcript, Page 41)

According to Holyoke Hospital officials, the DMH has relied, first on Holyoke and then Providence hospitals, to monitor administrative and other expenses at Charles River Hospital-West. Holyoke Hospital, however, began closely monitoring administrative expenses only after April 1, 1993, according to a hospital official. In the quarter ending June 30, 1993, records show Holyoke Hospital disallowed 68 percent of the "administrative non-salary" costs submitted by Charles River Hospital-West for reimbursement, including $3,513 in relocation expenses for one employee incurred in July 1992 and April 1993; $1,000 in Uiversity of Connecticut tuition costs incurred by the chief executive officer of the hospital in June 1993; and a $470 payment to the Colony Club, also incurred by the chief executive officer in June 1993.

Prior to April 1, 1993, it is unclear whether those types of expenses were even reviewed. The accounting firm of KPMG Peat Marwick was hired by Holyoke Hospital to evaluate the Charles River Hospital-West state-funded unit costs prior to April 1. However, a Holyoke Hospital official said Peat Marwick allowed costs which were within "industry norms" and did not necessarily examine expenses for things such as travel and conferences.

Thus, it appears that all of the reimbursed expenses of the former president of Charles River Hospital-West were allowed for payment under the state contract. Those expenses included $1,866

for a conference in San Francisco in October 1992, for which no explanation was provided in documents provided to the Bureau.

In an interview, the chief executive officer of Charles River Hospital-West told the Bureau that Providence Hospital, the current license holder for the state units, does not examine individual administrative expenses, but has indicated, instead, that it would agree to seek state reimbursement only for administrative costs which fall below an agreed upon limit. Costs above that limit would have to be paid by Charles River Hospital-West's private patient revenues, the chief executive officer said. The total administrative and indirect cost limit is set in the contract at $2,272,740, out of a total annual budget of $6,960,302, according to documents provided the Bureau.

The Bureau would question whether simply relying on a contract limit for administrative costs is an appropriate way to control expenditures. Rather than forcing Charles River Hospital-West to keep administrative costs down, the Bureau believes the flat amount provides the hospital with the opportunity to indirectly subsidize costs incurred by its private units. It also permits expenditures of state funds on unnecessary items and precludes close oversight and scrutiny by Providence Hospital.

Records examined by the Bureau show that among the administrative expenses which Charles River Hospital-West has either paid directly or for which it has reimbursed employees are the following:

1. July 2, 1993, check no. 630 to the University of Connecticut, for $1,000, toward the Masters in business administration program attended by the chief executive officer of Charles River Hospital-West. August 16, 1993, checks no. 724 and 725, each for $3,000, to the University of Connecticut for the chief executive officer. (A $1,000 reimbursement charge for University of Connecticut tuition for the same individual dated June 30, 1993, was disallowed by Holyoke Hospital.)

2. July 1993 reimbursement for the chief executive officer of Charles River Hospital-West for $783.15, including $755 expense for "initiation fee, etc." at the Colony Club. (A $470 charge for Colony Club dues dated June 11, 1993 was disallowed by Holyoke Hospital.)

3. August 1993, reimbursement for the chief executive officer of Charles River Hospital-West for $703.26, including $524.34 expense for "Colony Club dinner, physicians' meeting, dues, initiation fee." Also listed in the August expenses is a June 18, 1993 lobster dinner at the Colony Club for $129.20.

4. March 1992, reimbursement for then president of Charles River Hospital-West for $659.98, including a $217 meal for "meeting Exec. Team.".

5. April 1992, reimbursement for then president of Charles River Hospital-West for $920.35, including a meal bill of $249 for meeting with CCSI attorneys.

6. August 1992, reimbursement for then president of Charles River Hospital-West for $1,174, including $621.83 for meals at "sr. mgmt. strategy all day thru event." The charge included $94 for liquor, according to a receipt viewed by the Bureau.

7. September 1992, reimbursement for then president of Charles River Hospital-West for $1,029.92, including $290.83 "membership in Colony Club plus monthly charges."

8. October 1992, reimbursement for then president of Charles River Hospital-West for $1,866 for "conference in San Francisco" dated November 3-7, 1992. (There is no explanation or statement of the purpose of the conference).

9. June 7, 1993, check no. 441 to "Windsor Court," for $1,000. (Charles River Hospital-West officials said this is one of a series of checks paid to maintain free lodgings for clinicians intitially hired on a per diem basis. Records show Windsor Court was paid $1,000 in July and $1,000 in August as well).

The Bureau would also question a number of other administrative costs incurred by Charles River Hospital-West, including the

payment in July 1993 of $8,853 to three separate law firms. Given the inability of Charles River Hospital-West to pay vendors and meet payroll costs throughout the year, the Bureau believes it would be prudent management to reassess the employment of outside consulting and law firms and to cut back on travel and entertainment expenses. To date, however, the Bureau has not found evidence that these types of expenses have been reduced.

III. Vendor suits and claims

The Bureau examined records in three different courts in which suits were filed against Charles River Hospital-West and related companies for non-payment for services rendered. Based on the court records and interviews, the Bureau identified a total of 13 of vendors claiming to be owed $190,840 by Charles River Hospital-West as of early January 1994. The Bureau also noted a number of court suits filed against CCSI, the parent company of Charles River Hospital-West, including a suit filed by Universal Health Realty Income Trust of King of Prussia, Pennsylvania, seeking payment on a $13 million mortgage loan for Lake Shore Hospital in Manchester, New Hampshire, a CCSI subsidiary.

In an interview on December 13, 1993, an attorney for Universal Health Realty Trust said no payments had been made since the suit was filed on January 12, 1993, and that the total owed by CCSI including interest was in excess of $15 million. (In a followup interview on January 27, 1994, the attorney confirmed reports that CCSI and Universal were discussing a settlement of the case. For further discussion of the suit, see Section IV of this report.)

Other actions filed against CCSI or its Wellesley-based subsidiary, Charles River Hospital Inc., include one by the Massachustts Association of Private Psychiatric Hospitals

("MAPPH"), which alleged in a suit filed in Dedham District Court on August 25, 1993 that it was owed $22,600 in membership dues. An official with the MAPPH told the Bureau on December 13, 1993 that the organization was negotiating a payment plan with Charles River Hospital Inc. The official said the $22,600 figure included an assessment to Charles River Hospital Inc. for work done for the MAPPH by ML Strategies, a lobbying and consulting firm, on Medicaid issues.

The following are vendor suits filed against Charles River Hospital-West in Chicopee and Springfield district courts, according to court records. The damages sought totalled $294,630. In virtually every case, the vendors were awarded default judgments and attachments on the hospital's property. Charles River Hospital-West appears to have made attempts in the fall of 1993 to repay a number of the vendors.

A. Chicopee District Court

1. Vista Staffing Solutions of Salt Lake City, Utah. Vista Staffing was granted a $130,834 attachment on Charles River Hospital-West property on October 2, 1993. (In an interview on December 14, 1993, an attorney for Vista Staffing said Charles River Hospital-West had begun a repayment plan in October 1993, but still owed $80,000 to Vista Staffing.)

2. Colton Associates of Chicopee. An attachment for $11,000 was granted December 24, 1992. (As of January 3, 1994, the firm was still owed roughly $5,500 according to the manager. Colton Associates, doing business as Windsor Court, provided apartments for per diem clinicians hired by Charles River Hospital-West at rates up to $850 a month. Charles River Hospital-West began making payments of $1,000 a month in June 1993, but missed payments in October and December, according to an attorney for the firm.)

3. Stewart Therapy Inc. of Hartford, Connecticut, was granted an attachment for $8,800 on February 19, 1993 for services dating back to 1991. (Charles River Hospital-West

starting making "steady" payments in November 1993, according to the law firm representing the plaintiff. The hospital had made payments of $5,400 as of mid-December, leaving an unpaid balance of $4,215. However, an additional payment of $2,000 on December 20, 1993, bounced.)

4. Arnold's & Eddies Foods Inc., of Chicopee, was awarded an attachment on April 26, 1993 of $7,700. (The final payment on the amount owed by Charles River Hospital-West was paid on December 10, 1993, according to the owner of Arnold's & Eddies Foods. The owner said no further business would be done with the hospital.)

5. Harold Kent Ford Inc. of Chicopee, was awarded a judgment in Small Claims Court on July 20, 1992 for $1,259.

6. Birch-N-Bend Gardens of Chicopee, was awarded a $374 judgment in Small Claims Court on December 14, 1992.

7. Western Mass. Janitorial Supply Co. of West Springfield, was awarded a judgment of $1,128 in Small Claims Court on January 25, 1993.

8. W. Lee Costigan Co. Inc. of Springfield, was awarded a $137 judgment in Small Claims Court on May 17, 1993.

9. Miazaga Inc. of Belchertown, filed a claim for $1,446 in Small Claims Court on November 9, 1993. A hearing was scheduled for March 28, 1994.

B. Springfield District Court

1. Interim Health Care of Western Mass. Inc., Springfield, was awarded a judgment on June 2, 1993 of $21,215. (As of December 29, 1993, $8,262 was still owed, according to the company treasurer. The treasurer said Charles River Hospital-West was making monthly payments of roughly $2,500.)

2. Lappin Communications Inc. of Springfield (WMAS Radio), was awarded a judgment on February 25, 1993 for $25,260. (The company, which provided advertising spots for Charles River Hospital-West in 1991, has received payments totalling $4,800 as of December 29, 1993, leaving $20,460 still owed, according to an attorney. The attorney said the hospital was making roughly $400 a month in payments.)

3. Only O.R. Inc. of West Springfield, was awarded a judgment for $14,403 on April 30, 1993. (On May 11, 1993, $13,768 was paid O.R. Inc. under court order from a South Shore Bank account held by Charles River Hospital-West, according to an attorney for O.R. Inc.)

4. Belmont Laundry Inc. of Springfield. The firm filed suit

on November 8, 1993, seeking a judgment of $14,000. (As of December 29, 1993, no payments had been made to the laundry company, according the office manager.)

5. Cardiology & Internal Medicine Associates Inc. of Springfield, was awarded an attachment for $30,000 on May 11, 1993. (As of December 29, 1993, the company was owed $21,000 and had received no payments after May 1993 for services dating to June 1992, according to the company's attorney.)

6. Paratemps Inc. of Springfield, sought a judgment for $10,690 on November 24, 1992. (South Shore Bank records show a court-ordered debit for $10,000 on November 30, 1992 to pay Paratemps. See Exhibit #11)

7. Spring Street Drug Inc. of Springfield, was awarded a judgment for $16,384 on December 30, 1992. (On December 31, 1992 the drug company agreed to accept payment of roughly $8,300, half the amount, and dropped the suit upon payment, according to an attorney for the firm.)

Although they hadn't taken legal action, the following vendors told the Bureau in surveys done in late 1993 and early 1994 that they were either owed money by Charles River Hospital-West, were refusing to do further business with the hospital or would do business only on a cash-only basis:

1. A & D Metals of Westfield, owed $1,075 for work done in March, June and August 1993. (The full amount was paid in December, according to the office manager. The manager said further work would only be done if half the cost is paid up front with the balance on the day of installation.)

2. Taylor Rental (Chicopee), cash-only basis. (The rental company had to use a collection agency to obtain money owed, according to the manager. No figure available on the amount owed.)

3. Fitzgerald & Robbins Inc. of Springfield, owed $7,800 as of December 13, 1993, according to the company's office manager. (Fitzgerald & Robbins alleged in a suit filed in Springfield District Court against CCSI on September 5, 1990 that it was owed $12,549 for advertising services. That suit was ultimately settled for roughly $10,000, according to the office manager.)

4. Bay State Sprinkler Co. of East Longmeadow, owed $572 for work done in April 1993, no further business.

5. Valley Communications Systems Inc. of Chicopee, owed $86 for work done in July 1993. Cash-only basis.

6. General Fire Protection Inc. of Watertown, no further business with Charles River Hospital-West because of late payments. No figure available on the amount owed.

7. ArClair Builders of Chicopee; as of January 3, 1994, the company was owed between $12,000 and $15,000 for work done in June 1992, according to the company president. (In a November 11, 1992 letter to the Charles River Hospital-West accounting department, the business manager at ArClair Builders stated that "when our office tries to get answers (to requests for payment), we get the run-around and no return phone calls.")

8. Louis Beef of Springfield, owed $1,324 as of November 1993 from invoices dating back to June 1993. (The full amount was paid in early December 1993, according to a company accounting department representative. The representative said Louis Beef is continuing to do business with Charles River Hospital-West on a "limited basis.")

9. Better Brands of Wethersfield, Connecticut; the company was owed $12,500 as of December 29, 1993. (Charles River Hospital-West paid $1,882 on December 13, reducing the amount owed from over $14,000, according to the credit department.)

10. Action Fire Restoration Inc. of Chicopee, was still owed $606 through February 1994 for $3,236 worth of cleanup work from a sprinkler flood in February 1993, according to the general manager. The final amount owed was paid on March 1, 1994, the manager said.

11. Hallsmith-Sysco Food Services of Norton, notified Charles River Hospital-West in December 1993 that it would not provide further food deliveries to the hospital without payment by either certified check or cash. A company official said the terms were imposed after a check from Charles River Hospital-West for payment totalling $1,400 bounced on December 23, 1993. A previous check for $1,668.75 had bounced in October 1993. The official said that as of January 25, 1994, Charles River Hospital-West had not placed any further orders to Hallsmith-Sysco.

The Bureau would note that a February 11, 1993 memo from the chief financial officer of Charles River Hospital-West promised vendors "realistic payment schedules" by March 15, 1993. But several vendors said that promise was not kept. In a May 18, 1993

letter to his attorney, the president of ArClair Builders stated that "Charles River Hospital-West has made several promises..., however none has been fulfilled."

IV. Other financial issues

The Bureau noted in its preliminary report that in February 1992, CCSI's former auditor, Coopers & Lybrand, had expressed "substantial doubt about the company's ability to continue as a going concern." The preliminary report, citing DMH records, also stated that CCSI had operating losses of $10.1 million in fiscal 1990, $1.03 million in 1991 and $3.07 million in 1992.

CCSI terminated the services of Coopers & Lybrand in the wake of the audit, citing a conflict of interest in maintaining the auditor, and hired a second auditor, Shapiro & Lieberman, based in Englewood Cliffs, New Jersey. In its audits of both CCSI and Charles River Hospital-West for the year ending June 30, 1993, that second auditing firm expressed the same "substantial doubt" about the organizations continuing as going concerns.

In the Charles River Hospital-West audit, Sharpiro & Lieberman noted a retained deficit at the end of the 1993 fiscal year of $5.9 million and unpaid payroll taxes of $1,888,161 and stated that the hospital defaulted on its $13.6 million mortgage as of March 1, 1993. (See Exhibit #12a-c).

Records show that Charles River Hospital-West negotiated or entered into payment plans in 1993 for both state and federal

taxes and the mortgage. Nevertheless, on August 30, 1993, the state Department of Revenue filed a notice of lien at the Hampden County Registry of Deeds for $415,862 on the hospital's property.

The Bureau was unable to determine the amounts still owed in state and federal taxes by Charles River Hospital-West, as of the date of this report. The Bureau examined six checks totalling $1,135,426 written by the hospital to the IRS between June 4, 1993 and September 20, 1993. However, three of the checks, for a total of $234,642, were marked void. One of the cleared checks, for $625,000, was labelled "tax liability," while another, for $100,000, was labelled "payment on arrears" (See Exhibit #13).

The Bureau also viewed a check for $25,000 written by Charles River Hospital-West to the state Department of Revenue and dated September 30, 1993. The check, however, was marked "insufficient funds." A second check to the Department of Revenue -- for $3,358.49 and dated August 6, 1993 -- was also marked insufficient funds. Bank records indicate, however, that both checks were later redeposited and cleared.

An amount close to $1 million was also owed by Charles River Hospital-West in mortgage interest, as of early 1994, according to the president of Charles River Mortgage Company, which holds the mortgage on Charles River Hospital-West. Charles River Mortgage, which is apparently unrelated to the hospital, has offered to modify terms and conditions of the loan, according to to documents provided by the DMH. The federal Department of Housing and Urban Development, which guarantees the mortgage, has

been involved in the negotiations.

In an interview on January 4, 1994, the president of Charles River Mortgage Company said an oral agreement had been reached for the hospital to begin making reduced mortgage payments. The president said the hospital began carrying out the terms of the agreement in October 1993 and had since made roughly $230,000 in mortgage payments, $135,000 of which was earmarked to repay unpaid interest estimated at $1 million. Should Charles River Hospital-West be unable to maintain the payment schedule, however, HUD, and consequently federal taxpayers, would be liable for the payment of the $13.6 mortgage principal in addition to outstanding interest. The Bureau has concerns that Charles River Hospital-West has yet to demonstrate evidence of the improvement in its financial condition that would indicate an ability to meet the mortgage payment schedule.

The Bureau further questions the rationale for any claims of future improvement in Charles River Hospital-West's financial condition based on census and revenue projections filed by the hospital in November 1993 with the Rate Setting Commission. The projections anticipate a major increase in patient census and a consequent 50 percent revenue increase -- from $10,165,627 in fiscal 1993 to $15,329,839 in the 1994 fiscal year. It is unclear what the hospital is basing the projected census increase on, given the fact that two private units at the hospital consisting of as many as 30 beds were closed in 1993. In addition, the hospital's state units were reduced in August 1993

from 45 to 34 beds, leaving a total patient census at the 90-bed hospital of between 42 and 50.

A major component of the projected revenue increase appears to be a projected hike in Charles River Hospital-West's per diem charge per patient from $631 to $750. Even Charles River Hospital-West officials admit, however, that the upper-tier charge would only apply to a handful of patients who are privately insured.

In fact, on December 30, 1993, the Rate Setting Commission denied the hospital the $15,329,839 in projected revenues, scaling the amount back to $11,266,094. (See Exhibit #14) Also, despite the 17 percent projected increase in census by Charles River Hospital-West -- from 16,771 bed days to 19,642 bed days -- the Rate Setting Commission approved a total bed-day projection for the year of only 14,508. (See Exhibit #15)

At least part of the reason for the shutdown of one of the private units in 1993 was the loss by Charles River Hospital-West of a contract with the Mental Health Management of America Inc. ("MHMA") for Medicaid reimbursement for the unit. The Bureau understands that the hospital was negotiating a new contract with MHMA and was planning to accept additional geriatric patients in March of 1994. It does not appear, however, that the revenues from those additional patients would come close to meeting the 50 percent increase in revenues projected by the hospital.

The Bureau also understands that CCSI officials were basing a major projected improvement in the company's cash flow situation

in the coming year on the anticipated settlement of the mortgage suit involving Lake Shore Hospital (See Section III.) A DMH official told the Bureau that the settlement was expected to reduce CCSI's financial liability in the case from $15 million to as little as $1.4 million. The Bureau doubts, however, that such a settlement would necessarily improve CCSI's cash flow situation, since the company had not made any mortgage payments at all in 1993, according to an attorney for Universal Health Realty Income Trust, the holder of the mortgage.

The Bureau would note that despite the continuing financial problems at CCSI and Charles River Hospital-West, officials of those companies have consistently provided optimistic financial reports to the DMH -- reports which have not been borne out by events. For instance, a March 31, 1992 letter to DMH from the executive vice president of finance and adminsitration for CCSI, states that "CCSI is doing very well, especially the facility in New Hampshire (Lake Shore), which has begun the flourish." This assessment does not square with findings the previous month by Coopers & Lybrand of unmet earnings projections for the Lake Shore facility, and is contradicted by Lake Shore's subsequent default on its mortgage. The same CCSI official reported similar good news for several CCSI subsidiaries, including Charles River Hospital-West, in a letter to DMH on July 1, 1992.

While top administration officials have consistently supported Charles River Hospital-West's version of events, some concern has, at times, been expressed at that level. In an August 19,

1993 memo, the deputy director for purchase of services in the Executive Office of Health and Human Services, referred to "continuing if not deteriorating financial problems for Charles River Health Management and its commonly controlled affiliates and parent corporation (CCSI)." (See Exhibit #16).

The Bureau has further concerns about the financial condition of Providence Hospital, which holds the license for the state-funded units at Charles River Hospital-West. Although Providence Hospital has not experienced operating losses in recent years, the company's financial statements show a downward trend in profitability, with operating income dropping 60 percent from 1991 to 1992. According to the financial statements, income from operations dropped from $1,692,429 in 1991 to $662,551 in 1992. Financial statements through June 30, 1993 indicate a further drop in operating income to $150,000 for the year ending September 30, based on annualizing the nine-month results. That would represent a 77 percent drop. In addition, the June 30 statements show that Providence Hospital's current liabilities exceed its current assets.

(The Bureau would note that it requested information from both the state Rate Setting Commission and the Massachusetts Hospital Association on state-wide trends in recent years involving the financial condition of hospitals. While officials of both organizations said they possessed data on that matter, they declined to provide the Bureau with their findings.)

V. Cash management

An examination by the Bureau of Charles River Hospital-West's bank records from March through November 1993 reveals an erratic cash management style by the hospital. The records show a pattern involving the transfer of hundreds of thousands of dollars a year between different accounts and sometimes between Charles River Hospital-West and affiliated companies in order to meet payroll and other costs. Frequently, those transfers have come too late to prevent the checks from bouncing. The Charles River Hospital-West payroll account has been left with end-of-the-month balances as low as $3,970 as of November 30, 1993, despite expenditures that same month from the account of $801,494. The average daily balance in the account has hovered between $40,000 and $60,000, according to Fleet officials.

The examination of Charles River Hospital-West account records subpoenaed from Fleet Bank shows the following:

1. March 1993: $46,485 in bounced checks, payroll account.

2. April 1993: $99,442 in overdrafts, payroll account.

3. June 1993: $20,378 in bounced checks, payroll account.

4. September 1993: $92,229 in bounced checks, payroll account.

5. October 1993: $80,111 in bounced checks, corporate account.

(The Bureau examined more than $30,000 in payroll account checks marked "insufficent funds" in August 1993. However, the checks

are listed in a Fleet bank statement as having cleared. A Fleet official said bank officers have the discretion to clear checks for which there are insufficent funds on the expectation that a deposit will be made imminently.)

(In an interview on January 28, 1994, the DMH associate general counsel said the DMH had been assured by CCSI officials that the check bouncing problem at Charles River Hospital-West had been corrected in the fall of 1993 and would not occur again. However, Fleet records show that at least nine checks totalling $10,877.75 from the hospital payroll account were returned for uncollected funds on January 13, 1994. The balance on the account as of January 31, 1994 was only $1,710.62. See Exhibit #17)

The Bureau traced several wire transfers into and out of Charles River Hospital-West's Fleet Bank accounts and found a haphazard system of transfers between internal accounts and accounts of affiliated companies, in some cases simply to meet payroll costs. For instance, on July 13, 1993, Charles River Hospital-West received a $30,000 wire transfer from the Jackson Brook Institute in Maine, an affiliated company, and deposited the funds directly into its payroll account. (Bank records show that on June 17, 1993, Charles River Hospital-West had issued a check to the Jackson Brook Institute, also for $30,000.)

Bank records also show that on March 18, 1993, Charles River Hospital-West issued a check for $121,320 to the Jackson Brook Institute to "repay loan for mortgage." (See Exhibit #18).

Records show that after having bounced an initial 70 checks totalling $52,995 in the payroll account on September 9, 1993, Charles River Hospital-West transferred $174,585 from a separate Fleet account into the payroll account on September 14, five days later. Most of those payroll checks were then reissued between September 14 and 20, and all cleared. However, on September 22, an additional 45 checks totalling $39,234 bounced once again from the same account. (See Exhibit #19).

In two instances, in that same month of September, Charles River Hospital-West wired a total of $60,000 from the Fleet payroll account and a second account to a Shawmut Bank payroll account of Charles River Hospital Inc. in Wellesley.

In another case, on November 2, 1993, Charles River Hospital-West deposited a $30,000 check from Charles River Health Management Inc., based in Wellesley, into its payroll account. The check bounced and was redeposited on November 5. (See Exhibit #20).

Among the checks issued to affiliates by Charles River Hospital-West through its Fleet Bank accounts in 1993 are the following, along with explanations, if provided:

1. March 1, 1993, check no. 110, to CCSI, for $75,000. (The check bounced).

2. March 18, 1993, check no. 103, to Jackson Brook Institute, for $120,000. The check is labeled "repay loan for mortgage."

3. June 4, 1993, check no. 435 to CCSI for $100,000. (The check is marked "uncollected funds," but is recorded in bank records as having cleared).

3. June 7, 1993, check no. 467 to "Charles River East" for $2,450. The check was labeled "advertising/marketing."

4. June 17, 1993, check no. 523 to Jackson Brook Institute, for $30,000.

5. June 18, 1993, check no. 520 to "Charles River Health Management," for $120,000. (The check is labeled "repay advance to P/R").

6. August 20, 1993, seven checks numbered 761 through 767, each for $5,000, to "Charles River Health Management" and "Charles River Hospital."

7. August 23, 1993, check no. 779 to "CRH-Mgmt.," for $5,000.

8. August 27, 1993, check no. 790 to "Charles River Health Management," for $4,000. (The check is marked "uncollected funds," but is recorded as having cleared.)

9. August 30, 1993, six checks numbered 795, 796, 799, 800, 801 and 802, each for $5,000, to "CR Hospital."

VI. Quality of care and safety issues

The Bureau is not in a position to fully analyze the quality of psychiatric care being delivered at Charles River Hospital-West or to compare it to the care formerly given at Northampton State Hospital. The Bureau is concerned, however, that persistent financial problems experienced by Charles River Hospital-West and the corollary problems of bounced paychecks and non-payment of vendors can, over time, have a negative impact on the quality of care there. There are always intangible factors involved in the quality of care at an institution, and employee morale is certainly one. The Bureau interviewed a number of current and former employees at the hospital who confirmed that morale at the facility is directly linked in part to the certainty of regular payment for services.

The Bureau is aware that Charles River Hospital-West is monitored on a monthly basis by volunteers from the Alliance for the

Mentally Ill, a non-profit organization representing the mentally ill in Massachusetts, which has thus far issued positive reports about the care and conditions there. The Bureau, however, is not convinced that the Alliance is in a position to draw definitive conclusions about the quality of care in supervised, hour-long tours. Further, the Alliance monitors are not given access to patient records or other hospital documentation.

In its own tour, the Bureau noted that Charles River Hospital-West is a modern-looking facility that appears well kept. The Bureau also noted, however, that a significant amount of cosmetic work, such as painting of the lobby and patients' rooms and carpet cleaning has been performed by the hospital's security staff, according to security log books.

This use of security staff to perform routine maintenance work appears to be part of a larger pattern of inappropriate use of staff at the hospital due to budget constraints. For instance, a number of former employees told the Bureau that they were required to haul garbage in their cars from the facility to the town dump during periods in 1993 when the hospital's garbage hauler, Partyka Resource Management Inc. of Chicopee, stopped garbage collection due to non-payment.

The Bureau would consider another key quality-of-care issue to be the lack of radiator covers in patient rooms, despite a number of cases in which patients have received serious burns. The lack of radiator covers appears to have been a problem at the hospital dating back to 1991; yet, on the date of the Bureau's tour of the

facility on December 7, 1993, most of the patients' rooms were still without the covers.

According to one undated memo, the burn problem was caused by the fact that the radiator temperatures had to be kept at 180 degrees Fahrenheit in order to keep the hospital heated at 72 degrees in the winter. The memo stated that the planned installation of 10 metal radiator covers by April 1, 1993 would "create a minimum of one room per unit that does not pose a burn risk." (See Exhibit # 7-d). (An estimate provided by A&D Metals of Westfield in November 1993 of the cost of installing radiator covers throughout the hospital was $48,200, according to a company official.)

A potential patient safety issue is also raised by the lack of timely inspection and possibly the faulty installation or testing of the hospital's sprinkler system.

On February 2, 1993, during a severe cold snap, the water in the third-floor sprinkler system froze, causing several sprinkler heads to burst, according to memos and other records.

Insurance records show that between 300 and 500 gallons of oily water flooded the third-floor unit. (The Bureau received information from one source that a second flood occurred roughly a month after the first. The Bureau, however, was unable to locate documents confirming a second flood.)

Records note that the hospital had no adequate vacuum equipment to clean up the February 2 spill, and was supplied equipment by

the Chicopee Fire Department as a favor. (See Exhibit #21). Also, a February 4, 1993 memo stated that General Fire Protection Inc. of Watertown, the hospital's sprinkler contractor, would not agree to fix or replace the broken sprinkler heads because of a "fiscal problem." (See Exhibit #22). A General Fire Protection offical said in an interview that the company was owed money by Charles River Hospital-West for work done prior to May 1992, the last time the company serviced the sprinkler system. He was unable to provide a figure on the amount owed.

Following the February 1993 flood, a second company, Bay State Sprinkler, made repairs to the third-floor sprinklers. An official with Bay State Sprinkler told the Bureau that as of November 29, 1993, the company was still owed $570 for the work. The official claimed that the system froze and flooded because the wrong type of sprinkler heads were installed on the third-floor system. The Bureau was unable to corroborate that charge. A claim document provided by Sedgwick James of New England, Inc., the hospital's insurance agent, indicates that the third-floor sprinkler system may have flooded as a result of a decision by the initial contractor to test the system without properly draining it.

For a number of reasons, the Bureau is concerned that a similar flood and freeze-up could occur again. First, in a tour of Charles River Hospital-West on December 7, 1993, the Bureau noted that the inspection tag on the third-floor sprinkler system indicated that it was last inspected on May 14, 1992. In

a November 26, 1993 letter to the Post Audit Bureau, the Chicopee fire chief stated that the system should normally be inspected by the contractor on a yearly basis and "prior to the onset of freezing weather."

The Bureau would note that there was apparent confusion on the part of both Charles River Hospital-West and insurance officials over whether the hospital currently has a sprinkler system contractor. Officials of both General Fire Protection and Bay State Sprinkler Company said they had not done business with Charles River Hospital-West for months if not years. Yet, Charles River Hospital-West officials told the Bureau on December 7, 1993 that they believed General Fire Protection to be the hospital's sprinkler contractor.

In correspondence with the Bureau, the senior fire protection specialist at Wausau Insurance Companies in Burlington, Massachusetts, the carrier of Charles River Hospital's insurance policy, said he was unaware of either the identity of the hospital's sprinkler contractor or the date of the system's last inspection.

The Bureau is not convinced that insulation measures taken by Charles River Hospital-West in the wake of the February 1993 flood will prove effective in preventing a future freeze-up of the sprinkler system.

Insurance Claim

The Bureau has additional questions about a payment to Charles

River Hospital-West of $6,133.20 by the Wausau Insurance Company to cover damages incurred by the February 2, 1993 flood. (See Exhibit #23)

Because the hospital's insurance policy carries a $5,000 deductible, according to documents, the hospital would have had to incur more than $11,000 in damages from the flood to qualify for the $6,133 payment. The Bureau asked Sedgwick James for all documents supporting the claimed $11,000 in damages and received a one-page Statement of Loss, with five items listed on it, totalling $11,133.20 (See Exhibit #24)

The items listed on the Statement of Loss include three bed frames with a "repair or replacement cost" of $2,400, four desks totalling $2,600, payments to in-house staff of $2,321.60, sprinkler repair costs of $600 and a cost of $3,211.60 for cleanup work done by Action Fire Restoration Inc.

The Bureau reviewed a bill to Charles River Hospital-West from Action Fire Restoration for $3,236.55, which matches up closely with the estimate on the Statement of Loss. However, Sedgwick James did not provide any documents to the Bureau backing up the claim of a total of $5,000 in damages to bed frames and desks. In fact, the Bureau was told by a former employee at the hospital that the flood caused only minor damage to a small number of wood veneer bed frames and that the damaged sections were simply sawed off.

The Bureau would also note that Charles River Hospital-West

failed to pay Action Fire Restoration in full for its services until more than a year after the flood. A final check for $606 was delivered to Action Fire Restoration on March 1, 1994, according to the general manager of the company.

VII. Per diem and Medicaid issues

According to news accounts, the state secretary of health and human services stated on October 18, 1993 that the cost of care at Charles River Hospital-West's state units was less than half the cost at Northampton State Hospital because of a shorter length-of-stay at the private facility and because half the hospital's per-patient cost was federally reimbursable.

The Bureau has obtained information which raises questions about both of those claims.

First, the administration's length-of-stay claims do not appear to take into account the issue of patient recidivism, which can be higher at private facilities, such as Charles River Hospital-West than at public institutions. A 1992 study by a member of the Western Massachusetts Alliance for the Mentally Ill, using DMH data, found an 18.6 percent recidivism rate for Charles River Hospital-West compared with a 12.4 percent rate for Northampton State Hospital between April and September of that year.

The Alliance member has since updated that study and has found a 31 percent recidivism rate between January and August 1993 among patients in private hospitals receiving Medicaid payments through the Mental Health Management of America Inc. For remaining DMH

patients, including those at Charles River Hospital-West, the recidivism rate was 17 percent. (See Exhibit #25). At Charles River Hospital-West alone, which is contracted to take patients with more serious mental illness than most other private hospitals, the recidivism rate was 28 percent, according to the Alliance member.

(The Alliance member said the 12.4 percent rate of recidivism at Northampton State Hospital may have been low because the state hospital was restricting re-admissions as part of a phased shutdown process in 1992. Nevertheless, the Alliance official said the issue of recidivism does not appear to have been considered in the administration's length-of-stay claims.)

In a January 1993 report on the closing of Northampton State Hospital, the Senate Post Audit and Oversight Committee also questioned Charles River Hospital-West's length-of-stay claims. The Senate committee report stated that the DMH had been "unable to invalidate charges that the Charles River Hospital-West length-of-stay statistics had been artificially deflated by patient diversions, transfers and hospital readmissions."

The issue of recidivism is a complicated one, which gets to the heart of the administration's claims of success in shutting down three state institutions for the mentally ill starting in 1992. Numerous advocates and care givers for the mentally ill have told the Bureau that the shutdown of the state facilities has caused an increase both in the number of homeless mentally ill in the state and in the number of former state patients who are now

being shuttled back and forth between privately run psychiatric facilities. The Bureau is continuing to investigate this phenomenon, which will be the subject of a separate and upcoming report.

The administration's claims about federal Medicaid reimbursement of the Charles River Hospital-West costs are open to question as well.

First-quarter statistics provided by Providence Hospital (through September 30, 1993) show that the Charles River Hospital-West units were due to receive only 29 percent of the amount the hospital billed Medicare and 59 percent of the amount billed Medicaid for the period. (See Exhibit #26). Thus, total net federal and Third-Party funding for the units for the first quarter amounted to $163.37 per day out of a total per-diem cost of $669.82 per day, according to the Providence statistics. That amounts to a federal and Third-Party reimbursement rate of 24.4 percent, versus the 50 percent rate claimed by the administration.

(In a meeting with western Massachusetts legislators on February 11, 1994, the DMH commissioner and other officials distributed a cost analysis which continued to project a 47.6 percent rate of reimbursement by federal and Third-Party reimbursement for the Charles River Hospital-West units. (See Exhibit #27). While such a projection does produce a net state cost for the units lower than the cost at Northampton State Hospital, the Bureau would contend that the projection is not based on actual experience.)

The Bureau found a similar paucity of federal and Third-Party reimbursement in final budget figures provided by Holyoke Hospital for the 16-month period from April 1, 1992 to July 31, 1993. The figures show that of the total of $9,072,049 in revenues received by Charles River Hospital-West for its state units in the period, only $776,988 was paid in Medicaid funds. A total of $7,352,127 was paid by DMH budget funds, which are not federally reimbursable. (See Exhibit #28).

Translated into a $601.16 per diem rate at Charles River Hospital-West (according to Holyoke Hospital's final budget calculations), the net state cost was $512.93, while the federal government paid only $74.09 of the cost. (The $74.09 figure includes both federal Medicaid and Medicare funds).

Holyoke Hospital officials said that the low Medicaid reimbursement was due to a number of factors, including the "decertification" of several Charles River Hospital-West patients for Medicaid eligibility and possible glitches in the state's computerized bill-paying system. Holyoke Hospital actually billed Medicaid during the period for a total of $3,051,274 in costs at Charles River Hospital-West. Even if that total amount were paid by Medicaid (which Holyoke officials said was still possible), total federal and private Third-Party funding would amount to $163.57 a day out of total revenues of $601.16, about half as much as the administration claims is available to the unit.

If the $163.57 in potential federal and private Third-Party revenues is subtracted from the total per diem cost of $601.16,

the resulting cost to the state of $437.59 at Charles River Hospital-West would be roughly equal to the net state cost at Northampton State Hospital. Thus, even if all of the Medicaid billings by Holyoke Hospital were ultimately paid, it does not appear that there would be any savings in the cost of care at Charles River Hospital-West.

Documents obtained by the Bureau provide conflicting information on the per diem at Northampton State Hospital. While a DMH memo cited in the Bureau's preliminary report placed the per diem rate at Northampton State Hospital at between $340 and $350, an analysis done by Holyoke Hospital found the per diem at the state hospital to be $405.85. Adding projected renovation costs at Northampton State Hospital brought the adjusted net state cost to $449.38, according to Holyoke Hospital. (See Exhibit #22).

(The Bureau would note that if the actual per diem costs of Northampton State Hospital and Charles River Hospital-West are compared, Charles River Hospital-West's cost through July 31, 1993 was $195 a day higher than Northampton State Hospital -- a rate 48 percent higher.)

The Bureau has further concerns about the validity of the licensing arrangement which qualified Charles River Hospital-West for federal Medicaid reimbursement. Normally, psychiatric facilities and other "institutions for mental disease" are not eligible for Medicaid funding, under regulations issued by the federal Health Care Financing Administration ("HCFA").

However, by entering into a joint or "wraparound" license arrangement, first with Holyoke Hospital in early 1992 and then with Providence Hospital in mid 1993, both of them acute-care general hospitals, Charles River Hospital-West's costs were approved for Medicaid reimbursement.

Discussion of Medicaid reimbursement for private psychiatric hospitals dates as far back as a February 16, 1990 memo written by Krokidas & Bluestein, a law firm now representing Charles River Hospital-West. The memo analyzed HCFA regulations and guidelines to determine whether the federal agency would accept wraparound licensing arrangements between general hospitals and psychatric facilities. The law firm concluded that such an arrangement could be found acceptable by HCFA if the psychiatric facility was presented as a unit of the general hospital. The memo noted that HCFA would also be likely to view the arrangement favorably if the hospital and psychiatric facility had "one common owner responsible for operational decisions of the entire hospital enterprise" and if there was a single chief executive officer with authority over the psychiatric facility.

In a September 16, 1991 draft memo, a consultant to Charles River Hospital-West applied the Krokidas & Bluestein findings directly to Charles River Hospital-West and Holyoke Hospital. The memo concluded that the common-ownership test was satisfied in the arrangement because plans called for the state units at Charles River Hospital-West to be transferred within two years to Holyoke Hospital. (See Exhibit #30). Several other DMH documents reviewed

by the Bureau made similar assertions, concluding both that the placement of the state units at Charles River Hospital-West was only temporary and that Holyoke Hospital would exercise "clinical control and authority" over the units during that period.

As history shows, however, Holyoke Hospital cancelled its plans in 1992 to build a permanent unit for the state patients at Charles River Hospital-West and withdrew from the wraparound license arrangement in August 1993. As far as the Bureau is aware, the placement of the state units at Charles River Hospital-West is now considered permanent. (In an interview on January 6, 1994, the regional administrator for Medicaid at HCFA said the federal agency was unaware that Providence Hospital had even taken over as the license holder for the Charles River Hospital-West units.)

The Bureau would argue that the Charles River Hospital-West arrangement does not meet the Krokidas & Bluestein memo's qualifications. First, there is no common owner, but rather two distinct corporate entities involved in the arrangement. CCSI, which owns Charles River Hospital-West is separate and distinct from Providence Hospital. Secondly, there is no single chief executive officer with authority over Charles River Hospital-West. As mentioned, there are actually three areas or concentrations of management over the state units, with those concentrations located at Charles River Hospital-West, Providence Hospital and CCSI.

Even while Holyoke Hospital held the license, as the Bureau's

preliminary report stated, Charles River Hospital-West resisted efforts by Holyoke Hospital to place Holyoke Hospital's own clinical personnel on the state units, according to Holyoke Hospital officials.

In light of the apparent failure of the Charles River Hospital-West license arranagement to meet criteria for HCFA certification listed by the hospital's own consultant, the Bureau is concerned that a re-evaluation by HCFA of the wraparound arrangement could lead to a revocation of the license and loss of Charles River Hospital-West's certification for federal reimbursement. The Bureau understands that HCFA has begun investigating the compliance of the Providence Hospital-Charles River Hospital-West license arrangement with its regulations and guidelines.

VIII. Relationships among the principal players

The Bureau noted recurring relationships among the DMH, consulting and law firms involved in the Charles River Hospital-West arrangement and other DMH privatization initiatives, particularly with respect to obtaining HCFA Medicaid certification.

Among those connections is the involvement of a former HCFA official as a consultant to Charles River Hospital-West in 1991. The official, whose resume lists him as the medical officer for HCFA's Region 1 from 1986 through 1988, drafted the September 16, 1991 memo, referred to in Section VII of this report, which

concluded that the HCFA common-ownership test was satisfied in the case of the Charles River Hospital-West state units. In an October 21, 1991 "draft work plan" for the startup of the Charles River Hospital-West state units, that same former HCFA official is listed as being responsible for the "submission of the Holyoke Hospital-Charles River Hospital-West plan for HCFA certfication." The official's resume also lists him as having had a direct contract with HCFA in 1990 to assess the Medicaid status of a psychiatric facility in Rhode Island.

The Bureau is also concerned about the large role played by Public Consulting Group in the startup and licensing of psychiatric facilities in Massachusetts, including Charles River Hospital-West. DMH documents show that a principal officer in Public Consulting Group had worked as a vice president of CCSI prior to the award by DMH to Public Consulting Group of a contract to develop a budget for the Charles River Hospital-West state units. The principal officer in Public Consulting Group was later asked by DMH (in January 1992) to prepare an analysis of Charles River Hospital-West's "pre-qualification" application for the state contract to operate the state units. This last assignment was critical. The Bureau believes that an adequate pre-qualification assessment would have highlighted the risks involved in contracting with a financially faltering company.

Public Consulting Group was also involved in negotiations with Providence Hospital over the rates to be charged for the Charles River Hospital-West state units, according to a June 24, 1993 DMH

memo. Public Consulting Group was involved by the DMH as well in the closure of Danvers State Hospital in 1992 and the transfer of long-term patients there to Tewksbury Hospital. At the same time, Public Consulting Group was consulting for AtlantiCare Medical Center, which obtained a $2.6 million contract from DMH to care for Danvers' acute-care patients, according to DMH documents.

There are a number of other intertwining relationships as well, involving Public Consulting Group, DMH and the law firm of Krokidas & Bluestein. For instance, the February 16, 1990 memo written by Krokidas & Bluestein concerning HCFA Medicaid guidelines for psychiatric facilities (see Section VII) was directed to the president of Public Consulting Group. It is unclear to the Bureau who Public Consulting Group was working for in that instance.

There appear to be further connections between Krokidas & Bluestein and Public Consulting Group on other DMH projects. An October 21, 1991 memo written by a principal of Environmental Design Group Inc. on potential Medicaid certification for Tewksbury Hospital mental health patients refers to the same February 16, 1990 memo by Krokidas & Bluestein and to a subsequent document by the law firm entitled "North of Boston Discussion Draft." A March 5, 1992 memo indicated that the same principal of Environmental Design Group had begun working for Public Consulting Group, which was now involved in "planning the Danvers/Tewksbury move." The North of Boston Discussion Draft concerned the application of HCFA Medicaid guidelines to

Tewksbury Hospital mental health patients.

These varied connections raise further questions as far as the Bureau is concerned about the Medicaid licensing and startup processes of Charles River Hospital-West and other private psychiatric facilities.

IX. Conclusions

The Bureau's interim report, based on its followup investigation to its preliminary report, supports the preliminary report's initial findings that the DMH acted irresponsibly in relying on Charles River Hospital-West to care for state patients. In fact, the followup investigation has heightened the Bureau's concerns that given the current management at Charles River Hospital-West, there is no reasonable assurance of a sound financial footing to provide a continuing therapeutic environment there for this most vulnerable population.

Among the findings of the followup investgiaton are that Charles River Hospital-West: 1) failed to pay close to $2 million in state and federal taxes (and improperly used withheld employee earnings for its own operating expenses); 2) failed to make mortgage payments for at least eight months in the past year; 3) failed to pay more than two dozen vendors for basic services, some dating back as much as three years; 4) bounced hundreds of thousands of dollars in employee paychecks in the past year; 5) was unable to provide certain basic safety services for patients; 6) reimbursed top administrators for questionable expenses; and

7) exercised problematic cash management in the form of transfers of hundreds of thousands of dollars to and from affiliates to meet basic costs. In addition, the administration's overprojection of federal Medicaid reimbursement available to Charles River Hospital-West coupled with questions about the validity of the licensing arrangement cast doubt on the entire rationale for privatizing services formerly provided by Northampton State Hospital.

The Bureau concludes that to date, the DMH has failed to exercise necessary hands-on oversight over the expenditures and performance of Charles River Hospital-West and that the state agency lacks a viable long-term plan to provide for the welfare of the patients should the hospital cease operations. The Bureau is further concerned that because the administration has attempted to portray Charles River Hospital-West as a successful example of its privatization efforts, despite evidence to the contrary, the administration has diminished its own credibility to act in an effective oversight capacity in the future with respect to the hospital.

In the January 20, 1994 meeting with the Bureau, the DMH officials appeared to be unaware of many of the financial problems discovered by the Bureau. While the officials did express a general level of concern over the problems, they appeared to lack any plans for either improving their oversight over Charles River Hospital-West, rectifying the problems there or seeking a more appropriate vendor for the hospital services.

Instead, the DMH appears to have adopted a permanent wait-and-see attitude toward the hospital -- a posture which the Bureau views as untenable in light of the potentially serious consequences of the hospital's financial and managerial problems.

For this reason, the Bureau believes that the offices of attorney general and state auditor are the appropriate agencies to continue to examine the financial status and transactions of Charles River Hospital-West and affiliated entities.

The Bureau would also repeat its previous recommendation that the DMH halt all further state contracts with subsidiaries of CCSI until the corporation demonstrates substantial improvement in its financial condition. (Records show that one subsidiary, Charles River Health Management, has a series of contracts with the DMH which totalled $4,077,424 in Fiscal Year 1991, $3,360,383 in 1992 and $3,196,533 in 1993.)

The Bureau would further recommend that the DMH insistitute improved financial review mechanisms for all of its contracts with psychiatric hospitals.

Finally, the Bureau recommends that a further investigation of the relationships among various consulting, law firms and other entities in the startup and licensing of privately run, state-funded psychiatric units in Massachusetts be conducted.

EXHIBIT #1

Form 77 — THE COMMONWEALTH OF MASSACHUSETTS — DEPARTMENT OF REVENUE

NOTICE OF MASSACHUSETTS TAX LIEN

No. 61107 — 71565

Pursuant to the provisions of Section 50 of Chapter 62C of the General Laws, notice is hereby given that there have been assessed against the following-named taxpayer taxes (including interest and penalties) which remain unpaid, and that the amount of said taxes is a lien in favor of the Commonwealth of Massachusetts upon all property and rights to property belonging to said taxpayer.

NAME OF TAXPAYER: Connecticut Valley Institute — 043 025 048

ADDRESS: 350 Memorial Drive, Chicopee, Ma. 01020

NATURE OF TAX (Mass. G. L.)	TAXABLE PERIOD	ASSESSMENT DATE	UNPAID BALANCE OF ASSESSMENT
Withholding 62B	08/31/91	06/04/93	8,264.82
	10/31/91	06/04/93	8,412.44
	11/30/91	06/04/93	8,759.90
	12/31/91	06/04/93	9,166.32
	01/31/92	06/04/93	9,602.17
	02/29/92	06/04/93	13,503.59
	03/31/92	06/04/93	15,451.82
	04/30/92	06/04/93	18,553.04
	05/31/92	06/04/93	32,569.57
	06/31/92	06/04/93	26,878.27
	07/31/92	06/04/93	30,516.43
	08/31/92	06/04/93	31,453.03
	09/30/92	06/04/93	31,571.27
	10/31/92	06/04/93	48,067.23
	11/30/92	06/04/93	31,558.87
	12/31/92	06/04/93	31,128.53
	01/31/93	06/04/93	31,811.94
	02/28/93	06/04/93	28,593.09
		TOTAL	$ 415,862.33

PLACE OF FILING

Registry of Deeds Hampden County, Springfield, Ma.

Clerk — City Hall Chicopee, , Ma.

Secretary of State—Boston, MA

RECEIVED

AUG 30 1993

AT 2:53 PM AND REC'D FROM THE ORIGINAL

Signature Robert J. Crust III

Title DEPUTY COMMISSIONER

EXHIBIT #2

U.S. DISTRICT COURT - STATE OF MASSACHUSETTS
Request for Copies or Information

Name and Address of Debtor :

MYSTIC RIVER HOSPITAL I I
203 GROVE ST
WELLESLEY, MA 02181-7413

Name and Address of Secured Party :

Internal Revenue Service
P.O. Box 9112
Boston, MA 02203

For Filing Officer Use:

12/28/93 15:42
04-2791229

Documents Selected: 1 Item(s)

NUM	IRS Serial Number	DATE and HOUR of FILING	Assessed Balance Due	UCC Number	Date Released
1	49327439	11/19/93-11:46am	205251.11	IRS9327438	xx/xx/xx

CHARLES RIVER HOSPITAL - WEST
203 GROVE STREET
WELLESLEY, MA 02181

005 13/110

Cahillane, Sean

INSF. FUNDS

Payroll Check

018-42-2162 pp 7/11/93 - 7/31/93	LTD		777777		999-99-9999	08/06/93	6377
	Co. Code	Department	File Number	Clock No./ID	Social Security No.	Pay Date	Check Number

Pay this amount
***THIRTY THREE HUNDRED FIFTY EIGHT AND 49 DOLLARS

Net Pay
******3358.49

To the order of

*323668140400

LTD

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF REVENU
436 DWIGHT STREET
SPRINGFIELD MA 01103

FLEET BANK OF MA., N.A.
BOSTON, MASSACHUSETTS

COLLECTIONS BUREAU

AUG 17 1993

WILLIAM BRESNAHAN

⑈00006377⑈ ⑆011000138⑆935730⑈2299⑈

⑈0000335814⑈

THE BACK OF THIS FORM CONTAINS AN ARTIFICIAL WATERMARK - HOLD AT AN ANGLE TO VIEW

WH 043.025.048

CHARLES RIVER HOSPITAL - WEST
350 MEMORIAL DRIVE
CHICOPEE, MASSACHUSETTS 01020

EXPLANATION	AMOUNT

3280681 10055

5-13/110

883

PAY AMOUNT OF Twenty five Thousand Dollars and no/100 DOLLARS

CHECK AMOUNT

$ 25000.00

DATE	TO THE ORDER OF	CHECK NUMBER
9/2/93	Massachusetts Dept of Revenue	883

DESCRIPTION

INSF. FUNDS

COLLECTIONS BUREAU

OCT 1 1993

FLEET BANK OF MASSACHUSETTS, N.A.
CHICOPEE, MASSACHUSETTS

WILLIAM BRESNAHAN
SPRINGFIELD

⑈000883⑈ ⑆011000138⑆ 93573 02280⑈ ⑈0002500000

EXHIBIT #3

SHAPIRO & LIEBERMAN
CERTIFIED PUBLIC ACCOUNTANTS

CONNECTICUT VALLEY INSTITUTE INC.
D/B/A CHARLES RIVER HOSPITAL WEST
023-43139

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993

H - Accrued Wages and Payroll Taxes Payables

As of June 30, 1993 all of the prior taxes withheld and the employer's share of these tax due to the Internal Revenue Service and the State of Massachusetts were due and unpaid. Al included is an accrual for wages in the amount of $141,429, which was paid in July 1993. of August 1993, payout plans have been arranged - See Note I.

I - Subsequent Events

As described in Note H, substantial amounts for withheld taxes along with the employe share of those taxes remained unpaid. In July and August 1993 payout plans were arranged wi the various agencies due funds, and regular payments to liquidate the amounts due, began.

As discussed in Note D, the mortgage was declared in default as of March 1, 1993. payments have been made since February 1993. The Company, is attempting to arrange modification and a payout plan through the mortgage company and HUD. No determination of t consequences that would occur if the plan and modification are not approved, can be made this time.

00131121413

CHARLES RIVER HOSPITAL - WEST

203 GROVE STREET
WELLESLEY, MA 02181

005 137110

2111701

Payroll Check

	LTD	752001	8917	80.E	016-54-1454	09/03/93	6982
	Co. Code	Department	File Number	Clock No./ID	Social Security No	Pay Date	Check Number

Pay this amount
***FIFTY SIX HUNDRED FORTY NINE AND.16 DOLLARS

Net Pay
******5649.16

To the order of

1152

LTD 80.E DAVID, WHITEHOUSE
/52001 111 EUCLID AVE
WATERBURY CT
06710

INSF. FUNDS

FLEET BANK OF MA, N.A.
BOSTON, MASSACHUSETTS

"0000696 2" :011000138:935730" 2299"

"0000564916"

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER

IF THIS DOCUMENT DOES NOT HAVE A BLUE AND RED SECURITY PATTERN ON THE BACK, IT IS A COPY

EXHIBIT 5

EXHIBIT #6

222 P002

NO. 222 P006

4 10:52

AUTO RETRN
0001 00-00 00-00 00247784
CHECK RETURNED
AUTO RETRN
CR 0001 00-00 00-00 00247363
CHECK RETURNED
AUTO RETRN
213.57 CR 0001 00-00 00-00 00316359
CHECK RETURNED
AUTO RETRN
** CONTINUED ON NEXT SCREEN **

01-31-1994
CHARLES RIVER * DDA ACTIVE TRANSACTIONS
CREDITS TOTAL---DEBITS CURRENT BALANCE
495,320.06 508,860.14 1,710.62
D/C SRCE TIME- INIT- REFERENCE L D
CR 0001 00-00 00-00 00250812
CHECK RETURNED
AUTO RETRN
711.66 CR 0001 00-00 00-00 00322739
CHECK RETURNED
AUTO RETRN
CHECK RETURNED
AUTO RETRN
CHECK RETURNED
AUTO RETRN
01-13 1777 79.05 DR 0520 00-00 00-00 00168320
01-13 1777 1010.19 DR 0537 00-00 00-00 00515503
PROCESSING DATE 01-13-94 ENDING BALANCE 12,880.41
01-14 1776 83.24 DR 1011 00-00 00-00 00536131
** CONTINUED ON NEXT SCREEN **

0059 DITI 01-31-1994
CHARLES RIVER * DDA ACTIVE TRANSACTIONS
PREVIOUS---CAL TOTAL-CREDITS TOTAL---DEBITS CURRENT BALANCE
12-31 01-31-94 15,250.70 495,320.06 508,860.14 1,710.62
AMOUNT--- D/C SRCE TIME- INIT- REFERENCE L D
01-13 1775 209.08 DR 1011 00-00 00-00 00273423
01-13 1775 1110.62 DR 1011 00-00 00-00 00789452
01-13 1775 1443.41 DR 1011 00-00 00-00 00700195
01-13 1777 132.87 DR 0513 00-00 00-00 00633023
01-14 1777 161.98 DR 0539 00-00 00-00 00625719
01-14 1777 205.94 DR 0051 00-00 00-00 00629098
01-14 1777 248.58 DR 0513 00-00 00-00 00632927
2736.10 CR 1011 00-00 00-00 00789515
3021.44 DR 1011 00-00 00-00 00789514
PROCESSING DATE 01-14-94 ENDING BALANCE 8,512.13
01-18 1345 213345.53 CR 1022 00-00 00-00 00375350
BUSINESS DEPOSIT
50000.00 CR 0000 00-00 00-00 00000000
01/18/94 001078
WIRE INTERNAL BOOK TRANS CR
339.51 DR 1011 00-00 00-00 00447456
** CONTINUED ON NEXT SCREEN **

0059 DITI 01-31-1994
CHARLES RIVER * DDA ACTIVE TRANSACTIONS
PREVIOUS---CAL TOTAL-CREDITS TOTAL---DEBITS CURRENT BALANCE
12-31 01-31-94 15,250.70 495,320.06 508,860.14 1,710.62
AMOUNT--- D/C SRCE TIME- INIT- REFERENCE L D

EXHIBIT #7A

receive
2.5.93

MHMA
100 Maple Street
Suite 305
Springfield, MA 01103
413-739-3908
FAX (413)739-4074

February 4, 1993

Dr. David Whitehouse
Charles River Hospital-West
350 Memorial Drive
Chicopee, MA 01020

RE:

Dear Dr. Whitehouse:

It has been brought to our attention by Bob Moore, DSS Supervisor of the Westfield Office, the following concerns:

1. Last Friday (1/29) severely cut both her arms (? method, possibly by screws in the light socket);
2. Burns on her arms from the radiators;
3. She showed Peg O'Brien, DMH, pieces of glass she got from a window;
4. It has also been noted that the toilet paper holders have springs.

In addition, Bob adds a concern with access. He was unable to speak to anyone at Charles River Hospital-West while telephone lines were busy and was told he could not leave a message. He was told that even if it was an emergency, he would have to call back.

These concerns will be discussed tomorrow at the 10a.m. meeting at Charles River Hospital-West.

Thank you in advance for your attention to these matters.

Sincerely,

Theresa Vincent
Treatment Service Specialist

TV/ep

EXHIBIT 9E
APPENDIX H
Recommendation #3

CHARLES RIVER HOSPITAL-WEST
Minutes of the Safety Committee Meeting

April 15, 1993

Present: J. Kaplan, J. Gallagher, S. Laplante, D. Burns, R. Richards, D. Whitehouse, M.D.

Scribe: Judy Kaplan

The meeting was called to order at 10:30 a.m. The minutes of the 2/26/93 meeting were reviewed and approved.

Old Business

A. Patient room door release devices which may present a danger due to their possible use as an aid to suicide attempt cannot be removed. N. F. P. A., N. F. C. 101, 12.-2.2 2.6 states mandatory use. Local Fire Department officials refuse to grant our request for removal.

B. Eleven new associates received Safety, Fire, Electrical and M.S.D.S. Right to Know Inservice orientation in February.

C. Security issues -- No new reports of parking lot security issues. Also, no further incidents of parking in the Fire Lane.

New Business

A. Review of Departmental Safety policies and procedures. All policies and procedures have been reviewed and updated.

B. Annual evaluation of the Safety Management Program. This report has been sent to the Governing Body and Administration.

C. Patient burned upper arm on radiator in bedroom. Discussion about installing radiator covers in specified rooms on each unit. The recommendation of the Safety Committee is to have Environmental Services contract out the covers and have them installed. The Safety Committee also recommends that water temperatures that supply heat be lowered to 160 degrees F.

Safety Management

No report given.

Life Safety

Surveillance teams A,B,C and D submitted rounds reports.

EXHIBIT #C

Charles River Hospital-WEST
350 Memorial Drive. Chicopee, MA 01020 Tel: (413) 594-2211 Fax: (413) 594 7642

MEMORANDUM

TO: Safety Committee

FROM: Judy Kaplan

DATE: April 15, 1993

RE: Risk Management Summary
(February, March and April 1993 - to date)

Areas Identified by Incident Reporting

Combined Months of February, March and April 1993 - to date:

1. Patient injury from self destructive behavior:
   - Hit walls -- injured hands
   - Kicked door with foot -- broke window pane
   - Scratched wrist with piece of plastic

2. Environmental
   - Locked desk found opened
   - Freezer opened
   - Door found not secured
   - Staff holding door open
   - Patient pulled off electrical outlet cover
   - Furniture - patient attempted assault with chair
   - Radiator burns
   - Patient removed shower knob
   - Keys reported missing

3. Sharps/Materials
   - Patient found to have matches and lighter
   - Plastic knife and fingernail clippers found
   - Shingles staples pulled out
   - Glass found in courtyard and in patient room
   - Shoe lace missing

4. Falls/Slips
   - In shower
   - With seizure

5. Van accident -- no injuries

12-2.2.2.6 which states mandatory usage of automatic door closures in all health care facilities constructed after 1987. Local Fire Department Officials refuse to grant our request to remove this hardware. Refer to attachment D - N.F.P.A. code 101.

IV. BURN RISK:

Issue:

a. Maintenance of an atmospheric temperature of 72 degrees in all areas of the building allows the exterior temperature of the radiators to reach a temperature of 180 degrees this represents significant risk of accidental or intentional burning.

Actions:

a. Short Range Plan: Ten pre-fabricated sheet metal enclosures will be installed by 4/1/93. This will create a minimum of one patient room per unit that does not represent a burn risk.

b. Long Range Plan: The possibility of converting the current forced hot water system into a forced hot air system, which would utilize the existing air conditioning ducts, is actively being explored.

SHAPIRO & LIEBERMAN
CERTIFIED PUBLIC ACCOUNTANTS

CONNECTICUT VALLEY INSTITUTE INC.
D/B/A CHARLES RIVER HOSPITAL WEST
023-43139

SUPPORTING SCHEDULES REQUIRED BY HUD
FOR THE YEAR ENDED JUNE 30, 1993

OTHER INCOME

Telephone	$ 1,231
Food Service Income	21,192
Rent Income	757
Medical Records	496
Total	$23,676

6390 Miscellaneous Administrative Expenses

Amortization of Deferred Costs	$206,548
Vehicle Expenses	10,610
Dues and Subscriptions	10,512
Travel and Entertainment	50,199
Other Miscellaneous Expenses	341
Total	$278,210

EXHIBIT 9

[redacted]

[redacted]

[redacted]

[redacted]

CHARLES RIVER HOSPITAL - WEST
203 GROVE STREET
WELLESLEY, MA 02181

EXPLANATION	AMOUNT	
Due From CCSF		
EIT Bonus		

53-215/113

262

PAY
AMOUNT OF Five Thousand & none DOLLARS

DATE	TO THE ORDER OF	ACCTS. PAYABLE	DISC.	OTHER	CHECK NUMBER	CHECK AMOUNT
11/8/12	Fredrick Thaeler					$ 5000.00

South Shore Bank QUINCY, MA

Alexander J. Hamilton

⑈000262⑈ ⑆011302153⑆ 129 786 0⑈ ⑈0005000000⑈

[redacted]

EXHIBIT # 10

EXPLANATION	AMOUNT
Due Board	
CCSI	
FIT Expenses	

53-215/113

263

CHARLES RIVER HOSPITAL - WEST
203 GROVE STREET
WELLESLEY, MA 02181

PAY AMOUNT OF Four thousand Fifty-five 83/100 DOLLARS

DATE	TO THE ORDER OF	ACCTS. PAYABLE	DISC.	OTHER	CHECK NUMBER	CHECK AMOUNT
11/8/10	Fredrick Thacher					$ 4055.33

South Shore Bank QUINCY MA

W Fredrick Thacher

⑈000263⑈ ⑆011302153⑆ 129 786 0⑈ ⑈0000405510⑈

EXHIBIT - 11

South Shore Bank

Multibank

ACCOUNT NUMBER

1	2	9		7	8	7		8		⑈

DEBIT MEMO

CHECKING

M62 1

DATE

11 / 30 / 92

We charged your account this date as follows. Please adjust your records accordingly.

For: Summons to Trustee - Civil Action No. 92C 3693
Hampden, ss. - District Court of Springfield
Plaintiff : Paratemps, Inc.

AMOUNT
TOTAL $ 10,000.00

PROOF COPY

CHARGE ACCOUNT OF

Connecticut Valley Institute Inc.
d/b/a Charles River Hospital - West
203 Grove Street
Wellesley, MA 02181

BANK OR DEPT. IDENTIFIER	PREPARED BY	APPROVED BY
Dom. Coll		

⑆011302153⑆ 129878⑈ 68 ⑆000000000⑆

⑆011302153⑆ 129878⑈ 68⑆000000000⑆

EXHIBIT 12

CONNECTICUT VALLEY INSTITUTE INC.
D/B/A CHARLES RIVER HOSPITAL WEST
023-43139

STATEMENT OF RETAINED DEFICIT

FOR THE YEAR ENDED JUNE 30, 1993

Beginning of Year	$(2,848,724)
Net (Loss)	(3,052,652)
End of Year	$(5,901,376)

"See Notes to Financial Statements"

CONNECTICUT VALLEY INSTITUTE INC.
D/B/A CHARLES RIVER HOSPITAL WEST
023-43139

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993

H - Accrued Wages and Payroll Taxes Payables

As of June 30, 1993 all of the prior taxes withheld and the employer's share of these t due to the Internal Revenue Service and the State of Massachusetts were due and unpaid. Included is an accrual for wages in the amount of $141,429, which was paid in July 1993. of August 1993, payout plans have been arranged - See Note I.

I - Subsequent Events

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As discussed in Note D, the mortgage was declared in default as of March 1, 1993. payments have been made since February 1993. The Company, is attempting to arrang modification and a payout plan through the mortgage company and HUD. No determination of consequences that would occur if the plan and modification are not approved, can be made this time.

SHAPIRO & LIEBERMAN
CERTIFIED PUBLIC ACCOUNTANTS

CONNECTICUT VALLEY INSTITUTE INC.
D/B/A CHARLES RIVER HOSPITAL WEST
023-43139

AS OF JUNE 30, 1993

2120 Accrued Wages and Payroll Taxes Payable

Description	Period Covered	Date Due	Amount Accrued
Payroll	June 20 - 30, 1993	July 10, 1993	$ 142,376
Payroll Taxes	July 1991 - June 1993	(See Note)	1,888,161
Total			$2,030,537

"See Notes to Financial Statements"

EXHIBIT #13

FOR TRUSTEED TAX ONLY

CHARLES RIVER HOSPITAL - WEST
350 MEMORIAL DRIVE
CHICOPEE, MA 01020

EXPLANATION	AMOUNT
158040194816 5	

425

5 13/110

PAY AMOUNT OF One hundred thousand and no/100 DOLLARS,

CHECK AMOUNT

DATE	TO THE ORDER OF	DESCRIPTION	CHECK NUMBER	CHECK AMOUNT
6-4-93	Internal Revenue Service	Payment an arrears	425	$ 100,000.00

FLEET BANK
FAIRVIEW OFFICE, CHICOPEE, MASSACHUSETTS 01020

"000425" :011000138: 93573 02280" 100000000000"

CHARLES RIVER HOSPITAL - WEST
350 MEMORIAL DRIVE
CHICOPEE, MA 01020

EXPLANATION	AMOUNT
216040191824 1	
216040191824 3	

686

5 13/110

PAY AMOUNT OF Six hundred Twenty-five Thousand and 00/100 DOLLARS,

CHECK AMOUNT

DATE	TO THE ORDER OF	DESCRIPTION	CHECK NUMBER	CHECK AMOUNT
8/2/93	Internal Revenue Service	Tax Liability	686	$ 625,000.00

FLEET BANK
FAIRVIEW OFFICE CHICOPEE MASSACHUSETTS 01020

"000686" :011000138: 93573 02280" "006250001100"

EXHIBIT = 14

The Commonwealth of Massachusetts

Rate Setting Commission

Two Boylston Street, Boston, Mass. 02116

PAULA R. GRISWOLD
Chairman

LONELLE L. SOELLING
Commissioner

LOUIS I. FREEDMAN
Commissioner

Area Code (617)
451-5330

January 6, 1994

NOTIFICATION OF FISCAL YEAR 1994
APPROVED REASONABLE FINANCIAL REQUIREMENT
AND GROSS PATIENT SERVICE REVENUE
FOR HOSPITALS GOVERNED BY 114.1 CMR 28.00

Effective Dates of:
1. RFR, GPSR, and PAF's: July 1, 1993
2. Charge Book and Charge Reconciliation: January 1, 1994

Dear Chief Financial Officer: Charles River Hosp. - West (1st Subm.1994)

Pursuant to 114.1 CMR 28.00 and G.L. c6A, the Rate Setting Commission at it meeting on December 30, 1993 voted to approve the following for you hospital:

1994 Reasonable Financial Requirement	$ 9,732,713
1994 Gross Patient Service Revenue	$ 11,266,094
1994 Reconciled Revenue	$ 11,266,094

Reconciled Revenue must be approved by the Rate Setting Commission prior t the implementation of charge modifications.

The rates and charges were filed with the State Secretary on January 6, 199 as required by G.L. c6A.

If you desire to appeal these rates of payment and/or revenue levels, yo must file your appeal with the Division of Administrative Law Appeals, Roo 904, 100 Cambridge Street, Boston Mass 02202. This appeal must be file within thirty (30) days after said rate is filed with the State Secretary Appeal is governed by the provisions of 114.1 CMR 28.00.

A copy of 114.1 CMR 28.00 may be purchased from the State Secretary's Off Room 116, State House, Boston, Mass. 02133 or at the Office of the Rat Setting Commission.

Very truly yours,

John A. Daley
Executive Secretary

JAD/ms
Form: 12-30-93

FY 1994 RSC-410-1st
Charles River Hospital - West
Comparable Hospital Analysis - Source RSC-403-FY 1992
AFF RECOMMENDATION

12/27/93

	(A) FY 1994	(B) As Filed Per 410-94	(C) RSC ADJUSTED	(D) RSC Approved 410-1992	(E) 1992 Actual per RSC-403	(F) 1993 Actual per RSC-403
1	Capital	1,790,835	2,022,975	1,710,261	2,190,325	2,258,790
2	Inpatient Operating	13,075,688	5,703,696	2,355,987	4,477,088	10,897,281
	Patient Days	19,642	14,508	6,500	5,701	16,771
	Unit Cost PPD	665.70	393.14	362.46	785.32	649.77
3	Admin. Allowance		1,755,861			
4	Start-up	206,548	206,548	774,214		
5	Working Capital	82,902	43,633			
6	Reasonable Financial Requirement	15,155,973	9,732,713	4,840,465	6,667,413	13,156,071
7	Reimb. from Purch. who Pay less than Charges	9,389,526	8,481,674			
8	Cost to be Met by Charge Payers	5,766,447	1,251,039			
9	Charge Pay Mix	0.0765	0.0765			
10	Maximum GPSR	75,378,392	16,353,447			
11	Requested GPSR	15,329,839	11,266,094	92 APP GPSR	1992 GPSR	1993 GPSR
12	Rate Year GPSR	15,329,839	11,266,094	5,663,344	3,650,092	10,165,627

NOTE:
1994 Capital Amount adjusted contains:

Real Estate Taxes	124,915
Legal Fees	107,829
Depreciation	362,666
LT Interest	1,427,565
Total Capital	2,022,975

EXHIBIT # 15

EXHIBIT #16

The Commonwealth of Massachusetts

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES

One Ashburton Place, Room 1109

Boston, Massachusetts 02108

WILLIAM F. WELD
GOVERNOR

CHARLES D. BAKER
SECRETARY

To: Clifford Robinson
DMH Metro Boston Area Director

Through: Patricia Mackin
DMH C.A.A.S. Director

From: Peter Bates
Deputy Director for Purchase of Service

Date: August 19, 1993

Re: **Award to Conditionally Prequalified Provider**

Thank you for the exceptionally well detailed explanation of the Department's rationale for the award to Charles River Health Management. While the Secretariat is approving this request due to the over-riding programmatic considerations set forth in your memorandum, I want to take this opportunity to stress two points:

1. In the future, requests such as this should be processed through the Department's Central Office and submitted to this office prior to award notification to the proposed provider, as required by the Prequalification Policy. While your letter indicates that the bidder's FY 1994 prequalification status had not been determined at the time of the selection process, this provider had only been Conditionally Prequalified for FY 1993 and your Central Office was already aware that either Rejection or Conditional Prequalification for FY 1994 would in all likelihood be required due to continuing, if not deteriorating, financial problems for the provider and its' commonly controlled affiliates and parent corporation.

2. While the Secretariat respects the Department's judgement as to the relative risks and benefits of proceeding with this award, we are aware that licensing and programmatic issues for other programs operated by the provider have arisen in the past for reasons which appear to have been attributable, at least in part, to financial and management issues involving this group of organizations. We have also been advised by your Central Office that as yet unresolved financial compliance concerns have been raised regarding one of the affiliate corporations. Under the circumstances, your Central Office and the Secretariat have agreed that further awards to these organizations should not be considered until further progress on resolving the financial issues is demonstrated.

Given the potential risk involved to the Commonwealth and its' consumers, it is essential that particular attention be given to both programmatic and fiscal monitoring of this and all other programs operated by the provider and its affiliates for DMH and other EOHHS agencies. As Principal Purchasing Agency, DMH, through its' Central Office C.A.A.S. unit, will be responsible for working out the details for monitoring and reporting with your office and others.

I trust that all will go well. If you have any questions or concerns, please feel free to raise them with your Central Office staff, who can involve the Secretariat to the extent necessary.

Thank You.

Copies: Patti Mackin, DMH
Vic Pedone, EOHHS

EXHIBIT #19

0859 DITI 01-31-1994

ACCOUNT NUMBER [illegible] SHORT NAME CHARLES RIVER * DDA ACTIVE TRANSACTIONS

PREVIOUS---BAL TOTAL-CREDITS TOTAL---DEBITS CURRENT BALANCE

495,320.06 508,860.14 1,710.62

EFFECT	SERIAL NBR	AMOUNT	D/C	SRCE	TIME-	INIT-	REFERENCE L D
		15000.00	CR	0000	00-00	00-00	0000000000
				01/06/94 000813			
				WIRE INTERNAL BOOK TRANSFER			
01-06	8[illegible] 1771	399.17	DR	1050	00-00	00-00	0038[illegible]240
		PROCESSING DATE 01-06-94 ENDING BALANCE					171,896.53
	[illegible] 1311	3000.00	CR	1011	00-00	00-00	0090[illegible]557
				BUSINESS DEPOSIT			
01-07	8[illegible] 1775	274.17	DR	1011	00-00	00-00	0090[illegible]466
01-07	8[illegible] 1775	437.60	DR	1011	00-00	00-00	0090[illegible]424
01-07	8[illegible] 1775	528.70	DR	1011	00-00	00-00	0090[illegible]390
01-07	8[illegible] 1775	581.10	DR	1011	00-00	00-00	0088[illegible]704
01-07	8[illegible] 1775	683.34	DR	1011	00-00	00-00	0090[illegible]892
01-07	8[illegible] 1775	803.25	DR	1011	00-00	00-00	0088[illegible]705
01-07	8[illegible] 1775	1180.33	DR	1011	00-00	00-00	0090[illegible]793
01-07	8[illegible] 1775	63.38	DR	1011	00-00	00-00	0074[illegible]081
01-07	8[illegible] 1775	1802.59	DR	0539	00-00	00-00	0026[illegible]809
		PROCESSING DATE 01-07-94 ENDING BALANCE					168,541.96

** CONTINUED ON NEXT SCREEN **

0859 DITI 01-31-1994

ACCOUNT NUMBER [illegible] SHORT NAME CHARLES RIVER * DDA ACTIVE TRANSACTIONS

PREVIOUS---BAL TOTAL-CREDITS TOTAL---DEBITS CURRENT BALANCE

495,320.06 508,860.14 1,710.62

EFFECT	SERIAL NBR	AMOUNT	D/C	SRCE	TIME-	INIT-	REFERENCE L D
01-10	8[illegible] 1345	3862.78	CR	1011	00-00	00-00	0067[illegible]607
				BUSINESS DEPOSIT			
01-10	0 1768	91194.55	DR	0000	00-00	00-00	1074[illegible]250
				ADP TX/FINCL			
				ADP - TAX			
01-10	8[illegible] 1775	120.51	DR	1022	00-00	00-00	0020[illegible]891
01-10	8[illegible] 1775	149.15	DR	1011	00-00	00-00	0067[illegible]776
01-10	8[illegible] 1775	177.88	DR	1011	00-00	00-00	0068[illegible]978
01-10	8[illegible] 1775	184.77	DR	1022	00-00	00-00	0020[illegible]429
01-10	8[illegible] 1775	185.87	DR	1022	00-00	00-00	0020[illegible]341
01-10	8749 1775	215.34	DR	1022	00-00	00-00	0020[illegible]852
01-10	8771 1775	222.05	DR	1022	00-00	00-00	0020[illegible]836
01-10	8801 1775	230.51	DR	1011	00-00	00-00	0055[illegible]453
01-10	8809 1775	267.80	DR	1011	00-00	00-00	0068[illegible]284
01-10	8863 1775	270.67	DR	1011	00-00	00-00	0075[illegible]750
01-10	8951 1775	341.79	DR	1011	00-00	00-00	0067[illegible]294

** CONTINUED ON NEXT SCREEN **

0859 DITI 01-31-1994

ACCOUNT NUMBER [illegible] SHORT NAME CHARLES RIVER * DDA ACTIVE TRANSACTIONS

PREVIOUS---BAL TOTAL-CREDITS TOTAL---DEBITS CURRENT BALANCE

495,320.06 508,860.14 1,710.62

EFFECT	SERIAL NBR	AMOUNT	D/C	SRCE	TIME-	INIT-	REFERENCE L D
01-10	8916 1775	348.56	DR	1022	00-00	00-00	00201[illegible]416
01-10	8920 1775	379.82	DR	1022	00-00	00-00	00200[illegible]705
01-10	8926 1775	383.64	DR	1022	00-00	00-00	00201[illegible]311
01-10	8830 1775	384.77	DR	1022	00-00	00-00	00200[illegible]414
01-10	8864 1775	388.73	DR	1022	00-00	00-00	00200[illegible]649
01-10	8957 1775	397.09	DR	1022	00-00	00-00	00201[illegible]075
01-10	8925 1775	398.14	DR	1011	00-00	00-00	00680[illegible]069
01-10	8867 1775	404.93	DR	1022	00-00	00-00	00200[illegible]670
01-10	8917 1775	413.01	DR	1022	00-00	00-00	00201[illegible]417
01-10	8[illegible] 1775	413.85	DR	1011	00-00	00-00	00678[illegible]508
01-10	8824 1775	426.50	DR	1022	00-00	00-00	00201[illegible]334
01-10	[illegible] 1775	441.80	DR	1022	00-00	00-00	[illegible]

EXHIBIT 118

1-800922-2882 $pk

CHARLES RIVER HOSPITAL - WEST
350 MEMORIAL DRIVE
CHICOPEE, MA 01020

EXPLANATION	AMOUNT

103

5 13/110

PAY AMOUNT OF One hundred twenty one three hundred twenty and 20/100 DOLLARS

DATE 3-18-93

TO THE ORDER OF Jackson Brook Institute

DESCRIPTION Repay loan for Mortgage

CHECK NUMBER 103

CHECK AMOUNT $121,320.20

FLEET BANK
FAIRVIEW OFFICE, CHICOPEE, MASSACHUSETTS 01020

Janice Ouns

⑈000103⑈ ⑆011000138⑆ 93573 02280⑈ ⑈00121320 20⑈

EXHIBIT #19

(six pages)

RID: A 09 ACCT NO: 003882727

Corporate One Statement

Page 7 of 25

Account Service Center: (800) 841-4000
Fleet Banker: 413 787 6931

CCBusiness Regular Checking

Account 003873882727 Access Code 9494
CONNECTICUT VALLEY INSTITUTE I
SEA CHARLES RIVER HOSPITAL SEG
PAYROLL ACCT

Period Sep. 1. through Sep. 30. 1993	
Opening Balance	$38,733.32
Total Deposits/Credits (129)	$[illegible]
Total Withdrawals/Debits (548)	$[illegible]
Closing Balance	$838,873.80

Checks
Check # Posting Date Amount Check # Posting Date Amount Check # Posting Date Amount

003882727

		Check Paid # 6811		1,036.03	
		Check Paid # 6852		1,046.13	
		Check Paid # 6949		1,122.16	
		Check Paid # 6989		1,126.38	
		Check Paid # 6872		1,128.88	
		Check Paid # 7014		1,145.54	
		Check Paid # 6842		1,193.56	
		Check Paid # 6958		1,250.31	
		Check Paid # 6843		1,344.16	
		Check Paid # 6988		3,118.95	
		Check Paid # 6862		5,649.16	84,095.70-
	Sep 09	Check Returned			71.66
003882727		Auto Retrn			
	continued				

GRID: G 09 ACCT NO: 003882727

Corporate One Statement
Page 13 of 25

Account continued from previous page

Posting Date	Description	Checks/Debits	Deposits/Credits	Balance
	Check Returned		79.11	
	Auto Retrn			
	Check Returned		157.14	
	Auto Retrn			
	Check Returned		258.12	
	Auto Retrn			
	Check Returned		278.77	
	Auto Retrn			
	Check Returned		288.19	
	Auto Retrn			
	Check Returned		384.37	
	Auto Retrn			
	Check Returned		318.24	
	Auto Retrn			
	Check Returned		323.38	
	Auto Retrn			
	Check Returned		329.73	
	Auto Retrn			
	Check Returned		337.99	
	Auto Retrn			
	Check Returned		387.27	
	Auto Retrn			
	Check Returned		398.79	
	Auto Retrn			
	Check Returned		399.57	
	Auto Retrn			
	Check Returned		418.06	
	Auto Retrn			
	Check Returned		419.66	
	Auto Retrn			
	Check Returned		429.53	
	Auto Retrn			
	Check Returned		438.60	
	Auto Retrn			
	Check Returned		459.18	
	Auto Retrn			
	Check Returned		468.81	
	Auto Retrn			
	Check Returned		471.68	
	Auto Retrn			
	Check Returned		478.84	
	Auto Retrn			
	Check Returned		478.78	
	Auto Retrn			
	Check Returned		478.47	
	Auto Retrn			
	Check Returned		485.89	
	Auto Retrn			
	Check Returned		507.37	
	Auto Retrn			
	Check Returned		515.24	
	Auto Retrn			
	Check Returned		564.35	
	Auto Retrn			
	Check Returned		574.68	
	Auto Retrn			
	Check Returned		577.31	
	Auto Retrn			
	Check Returned		581.58	
	Auto Retrn			
	Check Returned		587.46	
	Auto Retrn			

003882727 continued

Account continued from previous page

Posting Date	Description	Checks/Debits	Deposits/Credits	Balance
	Check Returned		589.00	
	Auto Retrn			
	Check Returned		595.87	
	Auto Retrn			
	Check Returned		610.80	
	Auto Retrn			
	Check Returned		624.78	
	Auto Retrn			
	Check Returned		632.80	
	Auto Retrn			
	Check Returned		637.82	
	Auto Retrn			
	Check Returned		638.67	
	Auto Retrn			
	Check Returned		647.78	
	Auto Retrn			
	Check Returned		653.48	
	Auto Retrn			
	Check Returned		670.78	
	Auto Retrn			
	Check Returned		695.84	
	Auto Retrn			
	Check Returned		703.78	
	Auto Retrn			
	Check Returned		729.56	
	Auto Retrn			
	Check Returned		740.68	
	Auto Retrn			
	Check Returned		757.69	
	Auto Retrn			
	Check Returned		788.73	
	Auto Retrn			
	Check Returned		881.98	
	Auto Retrn			
	Check Returned		897.78	
	Auto Retrn			
	Check Returned		898.14	
	Auto Retrn			
	Check Returned		906.97	
	Auto Retrn			
	Check Returned		909.86	
	Auto Retrn			
	Check Returned		988.89	
	Auto Retrn			
	Check Returned		992.55	
	Auto Retrn			
	Check Returned		994.28	
	Auto Retrn			
	Check Returned		994.58	
	Auto Retrn			
	Check Returned		1,000.88	
	Auto Retrn			
	Check Returned		1,026.06	
	Auto Retrn			
	Check Returned		1,036.09	
	Auto Retrn			
	Check Returned		1,110.87	
	Auto Retrn			
	Check Returned		1,122.18	
	Auto Retrn			
	Check Returned		1,126.38	
	Auto Retrn			

Continued

		Check Returned			
		Auto Xfrm			
		Check Returned			
		Auto Xfrm			
		Check Returned			
		Auto Xfrm			
		Check Returned			
		Auto Xfrm			
		Check Returned			
		Auto Xfrm			
		Check Returned			
		Auto Xfrm			
	Continued				

003882727

ID: I 09 ACCT NO: 003882727

Account continued from previous page

Posting Date	Description	Checks/Debits	Deposits/Credits	Balance
	Check Returned		1,120.98 ✓	
	Auto Xfrm			
	Check Returned		1,145.54 ✓	
	Auto Xfrm			
	Check Returned		1,193.56 ✓	
	Auto Xfrm			
	Check Returned		1,250.31 ✓	
	Auto Xfrm			
	Check Returned		1,344.18 ✓	
	Auto Xfrm			
	Check Returned		3,110.55 ✓	
	Auto Xfrm			
	Check Returned		5,849.18 ✓	
	Auto Xfrm			
	Check Paid # 6933	591.87		
	Check Paid # 6861	633.77		
	Check Paid # 6995	123.52		
	Check Paid # 7011	165.00		
	Check Paid # 7000	214.47		
	Check Paid # 7005	311.02		
	Check Paid # 6987	383.19		
	Check Paid # 6966	437.11		
	Check Paid # 6981	440.57		
	Check Paid # 6972	440.66		
	Check Paid # 6916	450.85		
	Check Paid # 6998	502.83		
	Check Paid # 6918	521.00		
	Check Paid # 6938	550.00		
	Check Paid # 6947	585.27		
	Check Paid # 6987	610.96		
	Check Paid # 6974	682.79		
	Check Paid # 6978	840.81		
	Check Paid # 6974	853.96		
	Check Paid # 6978	1,847.62		
	Check Paid # 6969	1,196.57		48,787.16-
09/ 10	Business Deposit		34,738.00	
	Wire Incoming Fed 0004		78,474.53	
	Check Paid # 6933	819.87		
	Check Paid # 6928	218.82		
	Check Paid # 7007	804.00		
	Check Paid # 6971	429.15		
	Check Paid # 6945	404.67		
	Check Paid # 6918	831.20		
	Check Paid # 6987	1,847.95		69,818.16
09/ 13	Check Paid # 6923	188.64		
	Check Paid # 148	396.78		
	Check Paid # 147	757.45		
	Check Paid # 6931	861.16		
	Check Paid # 6945	994.82		
	Check Paid # 6944	1,287.23		
	Check Paid # 6787	31.87		
	Check Paid # 6928	183.80		
	Check Paid # 6990	218.44		
	Check Paid # 6947	282.58		
	Check Paid # 6913	308.95		
	Check Paid # 6898	348.48		
	Check Paid # 6988	380.87		
	Check Paid # 6929	383.21		
	Check Paid # 6978	400.00		
	Check Paid # 6988	405.81		
	Check Paid # 6978	400.00		
03882727	Continued			

	Check Paid	7035	1,108	78
	Check Paid	7158	1,118	55
	Check Paid	6989	1,128	38
	Check Paid	7198	1,130	19
	Check Paid	7148	2,874	07
	Check Paid	7027	3,911	91
	Check Paid	7157	4,130	81
	Check Paid	7218	5,649	16
				19,763 81-
Dec 22	Check Returned		88	80
	Auto Retrn			
	Check Returned		188	69
	Auto Retrn			
	Check Returned		159	12
	Auto Retrn			
	Check Returned		188	81
	Auto Retrn			
	Check Returned		282	92
	Auto Retrn			
	Check Returned		264	58
	Auto Retrn			
	Check Returned		288	18
	Auto Retrn			
	Check Returned		385	95
	Auto Retrn			
	Check Returned		316	24
	Auto Retrn			
	Check Returned		317	88
	Auto Retrn			
	Check Returned		372	15
	Auto Retrn			
	Check Returned		391	17
	Auto Retrn			
	Check Returned		436	29
	Auto Retrn			
	Check Returned		442	01
	Auto Retrn			
	Check Returned		455	86
	Auto Retrn			
	Check Returned		468	81
	Auto Retrn			
	Check Returned		468	81
	Auto Retrn			
	Check Returned		478	19
	Auto Retrn			
	Check Returned		487	87
	Auto Retrn			
	Check Returned		494	55
	Auto Retrn			
	Check Returned		525	
	Auto Retrn			
	Check Returned		546	34
	Auto Retrn			
	Check Returned		574	69
	Auto Retrn			
	Check Returned		577	55
	Auto Retrn			
	Check Returned		588	97
	Auto Retrn			
	Check Returned		597	88
	Auto Retrn			
	Check Returned		598	81
	Auto Retrn			

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ID: A 10 ACCT NO: 003882727

Account continued from previous page

Posting Date	Description	Checks/Debits	Deposits/Credits	Balance
	Check Returned		805.59	
	Auto Retrn			
	Check Returned		838.40	
	Auto Retrn			
	Check Returned		880.86	
	Auto Retrn			
	Check Returned		888.09	
	Auto Retrn			
	Check Returned		888.99	
	Auto Retrn			
	Check Returned		984.99	
	Auto Retrn			
	Check Returned		998.78	
	Auto Retrn			
	Check Returned		1,004.97	
	Auto Retrn			
	Check Returned		1,040.84	
	Auto Retrn			
	Check Returned		1,108.74	
	Auto Retrn			
	Check Returned		1,110.55	
	Auto Retrn			
	Check Returned		1,124.38	
	Auto Retrn			
	Check Returned		1,130.19	
	Auto Retrn			
	Check Returned		2,874.07	
	Auto Retrn			
	Check Returned		3,911.91	
	Auto Retrn			
	Check Returned		4,130.81	
	Auto Retrn			
	Check Returned		5,849.18	
	Auto Retrn			
	Check Paid # 7104	586.84		
	Check Paid # 7040	625.32		
	Check Paid # 7138	80.59		
	Check Paid # 7003	132.83		
	Check Paid # 7130	193.58		
	Check Paid # 6031	217.53		
	Check Paid # 7132	220.80		
	Check Paid # 7111	253.83		
	Check Paid # 7077	288.99		
	Check Paid # 7081	313.60		
	Check Paid # 7037	484.38		
	Check Paid # 7145	632.15		
	Check Paid # 7178	670.78		
	Check Paid # 7085	793.48		
	Check Paid # 7033	989.67		
	Check Paid # 7088	1,385.21		
	Check Paid # 7049	1,193.14		
	Check Paid # 7169	1,341.88		9,711.82
Dec 23	Debit Memo	988.00		
	Check Paid # 7015	70.00		
	Check Paid # 7010	80.00		
	Check Paid # 7016	100.00		
	Check Paid # 7079	139.94		
	Check Paid # 7030	156.78		
	Check Paid # 7017	170.00		
	Check Paid # 7217	898.37		

Exhibit #40

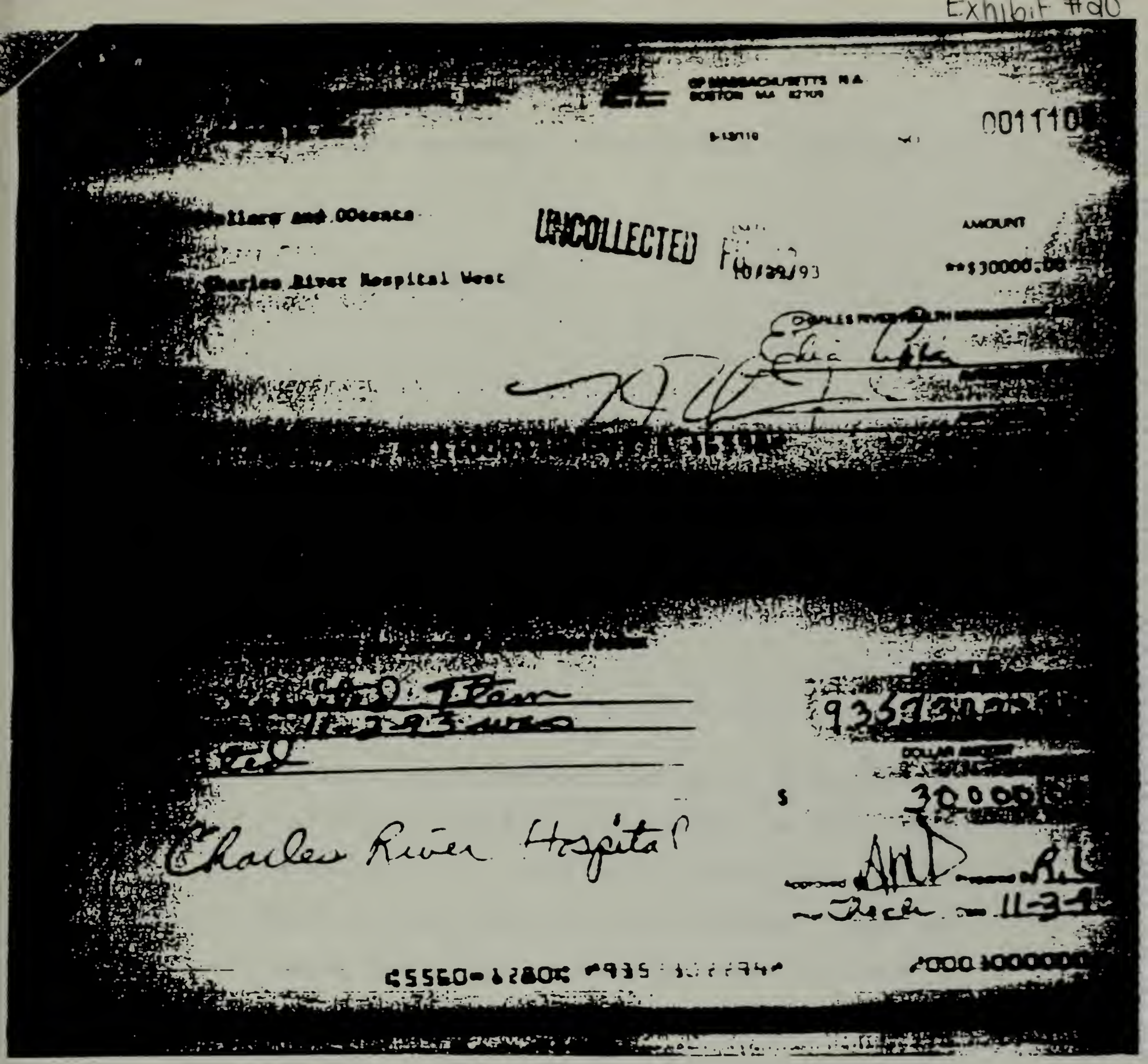

EXHIBIT #2.

EXHIBIT #21 (Four pages)

Charles River Hospital-WEST
350 Memorial Drive. Chicopee. MA 01020 Tel: (413) 594-2211 Fax (413) 594 7642

ATTACHMENT C

M E M O R A N D U M

TO: Ray McQuoid

FROM: Frank Laflamme

DATE: February 3, 1993

RE: Code Red - 300 East

On February 2, 1993 at approximately 5:30 p.m., a code red on 300 East went off. As Gary checked the main panel, he found that the pump was also in trouble. He notified me at my home, I told him I would be at CRH-W in approximately three minutes. Gary had stated to me that someone had called and said the water was running on the third floor. He and Jack were on their way to shut off the water main when I arrived. I told them to go to shut off the main to the third floor dry system only which would allow us to stop the water a lot faster and also shut off the compressor so it wouldn't pump air through the system on the third floor. I arrived at the third floor and shut off the main to the third floor and compressor, Jack got a hose and we drained the system as much as we could to bring the pressure down as fast as we could. We estimated approximately 250 gallons of water on ~~approximately~~ half of 300 East Wing.

ATTACHMENT C

Gary started to clean the water with our little shop vac which would have got us nowhere. At that time I tried calling the Chicopee Fire Department and they informed me they do not lend out the water containment equipment to businesses. I then called my friend, Chief Nunes and asked for a favor, I asked if we could borrow one 20 gallon vac. back-pack and Chief Nunes asked if we needed more and said he would get back to us. Chief Nunes returned the call within a few minutes and told me that the Fire Department would be here within fifteen minutes as they had to pick up pumps at other fire stations. Upon arrival, I and Gary immediately began using the pumps to pick up the water and oil. Jack took over security and the fire panel because it might go off again. Dr. Whitehouse arrived on the floor, I asked if I could get additional staff and he said yes. I had Gail at the switchborad call Lyn Whately and Kim and Jim Dusza. All three arrived at approximately 7:00 p.m. I had Kim go to the store to pick up three cans of Lysol spray because of the oily smell complaint throughout the hospital. Lyn and Wayne started cleaning the floors that were vacuum dry to get the oily smell off the floor with soapy water and they also cleaned bathrooms. Ray McQuoid was notified by Gary of the incident and he was on his way in. Attempted to call Robin Churray-Rousseau, she did call at approximately 9:00 p.m. to see how things were going. She was informed that we had it under control. When Jim Dusza arrived, he also used a back pack to pick up the water and helped with the fire port. Approximately

ATTACHMENT C

9:00 P.M., the fire alarm went off in 300 West. Jack checked it out and found water was going into a fire detector head. Jack and Jim removed the fire detector head and jumped out temporarily. At approximately 9:30 p.m., we received a call from 100 West that there was water coming through the lights and patient bathroom area and on 200 West. Jack proceded to check out the situation as we continued to vacuum. Jack called to say it was clean water coming through the light fixture. At that time, I went to the third floor 300 West bathroom above the others to find the problem. The shower valve had frozen and cracked, then thawed out causing it to run down to 200 and 100 West walls. I then shut down the shower completely through the main part of the shower, sent Jim Dusza to help Lynn and Wayne each clean up a floor so it would not interrupt the patients. Also Lyn had indicated that ceiling tiles were ready to fall in a few areas. Jack removed the tiles to make it safe for the area. We also did a 200 East patient's bathroom (Room 7); it was also coming through the 200 East (Room 8) and the quiet room in 200 East. Lynn, Jim, Wayne and Kim went to 200 East and cleaned up the water and oil spills on that wing. We kept on top of the unit to keep it clean and sprayed for the smell so it would not bother the patients due to the complaints we received. Throughout the night we sprayed Lysol in the air and I think it did a good job in getting rid of the oil smell about which Dr. Whitehouse indicated complaints were received. Approximately 10:00 p.m., everything was pretty much under control, and we continued cleaning. I went to my

ATTACHMENT C

father's to get a three foot ~~sand~~ fan to allow it to dry overnight to get rid of the smell and we ran it throughout the night and opened up two windows a crack to allow fresh air to come in to move it around. At about 10:00 p.m., Jim and I pulled out a couple of heads out in 300 East and found water still in some of the down drops of some of the heads. One head had a three foot piece of ice inside the thickness of the pipe, still frozen. We put pails under the heads that were dripping so if they did let go throughout the night they would go into the pails. Jack took pictures for us of the damage. Jack also closed all hatches on the roof. At 10:50 p.m., we picked up all equipment and returned it to the shop and departed.

At this time I would like to commend Housekeeping and the Maintenance Department associates, (Gary, Jack, Kim, Lynn, Wayne, Jim) who did a excellent job in getting this situation under control in an expedient manner to ensure that the rest of the hospital was safe. I really appreciate the cooperation and work completed by the above associates.

The next step is to complete the cleaning of 300 East, repair the fire heads and pull the remaining ones to be drained, reset. The dry system for 300 East and 300 West is now off allowing no water to reach these units. We need to finish cleaning of beds and furniture to remove the black that has accumulated from the oil.

EXHIBIT #22

Charles River Hospital-WEST
350 Memorial Drive. Chicopee. MA 01020 Tel: (413) 594-2211 Fax (413) 594 7642

ATTACHMENT C

M E M O R A N D U M

O: Robin Churray-Rousseau

ROM: Ray McQuiod RM

ATE: 2/4/93

E: Sprinkler Freeze-up

Tuesday 9:30am - Report of water dripping from sprinkler head in bathroom of 300 West.

Found ice in the drop leg of the sprinkler.

Contacted Fire Dept. informed them of problem and need to isolate 3rd floor sprinkler system and shut it down.

Captain Cziepel insisted system be down for **maximum of four hours.**

Cleared the ice from the drop leg and plugged the drops.

Checked the remainder of the heads, no problem found.

5:30pm Head popped in bathroom near swing rooms and system began dumping water.

5:35pm Head popped in swing room. Shower valve also popped (frozen).

5:40pm Water shut off to sprinkler system.

7:00pm Vac pacs arrived from Fire Dept.

11:00pm Most water picked up, some walls washed. Oily odor dissipated. Clients had returned to 300 West.

2/3/93

7:00am General Fire Inc. (Sprinkler Service) would not provide services. (fiscal problem)

8:00am Spoke by phone with Betty Joy (Sedgwick James, insurance broker) reported loss.

9:00am Recieved call from Kathy Meidhan a representative from Wausau Insurance. OK to call a clean up crew.

10:30am Recieved call from Judy French (Sedgwick James) regarding insurance adjustor.

EXHIBIT #23

Sedgwick

Sedgwick James of New England, Inc.
40 Broad Street, Boston Massachusetts 02109
Telephone 617 357-6600 Telex 940227, Facsimile 617 357-6755

June 3, 1993

Ms. Kathy Meidam
c/o Wausau Insurance Company
P. O. Box 8001
Wausau, WI 54402-8001

ENTERED

Dear Ms. Meidam:

Re: Insured: Community Care Systems
Date of Loss: 2/2/93
Location of Loss: West Chicopee, MA
Policy Number: 156500072746
Sedgwick James File No: 21669
Copy of Original Report Attached: X
Company File Number: you did not provide me with a claim number.

A review of our file indicates that the captioned claim is still open.Please advise us on the status so that we can bring our record up to date and/ or close the file. If the claim is closed and no payment was made,please specify the reason for the closing.

We are requesting that you do not state the claim is closed with no explanation.

If payment is made please indicate if paid to insured or claimant.

Insured: Claimant:

Current Status: closed

Name of Adjuster:

Date of Status:

Amt:Paid to Date:

Amt:Paid if Closed: $1,000.00

Date if Closed:

Current Reserve:

Sincerely,

Maggie Innocent

Maggie Innocent
Sr. Claims Representative
80- 34

EXHIBIT #24

Wausau Insurance Companies

Statement of Loss

POLICYHOLDER: Community Care Systems | DATE: 2/2/93 | FILE NO.: X20-4740

Item	Repair or Replacement Cost	Depreciation	Actual Cash Value	Claim
Action Fire	3211 60			3211 60
3 bed frames	2400 00			2400 00
4 desks	2600 00			2600 00
2-1 story - Staff	2321 60			2321 60
Sprinkler repair	600 00			600 00
				11,133 20
		deductible		5000 00
				6,133 20

(P) 903-1283-1 7-92

NON-MHMA PATIENTS	# HOSPITALIZATIONS		REPEAT HOSPITALIZATIONS
531 HOSPITALIZED ONCE	531		
68 - 2 times	136	14.8% were	68
18 - 3 times	54	hospitalized	36
4 - 4 times	16	more than once	12
1 - 5 times	5		4
1 - 10 times	10		9
623 non-MHMA PATIENTS	752 HOSPITALIZATIONS		129 REPEAT HOSPITALIZATIONS

17% OF THE HOSPITALIZATIONS MANAGED BY DMH WERE OF PATIENTS WHO WERE PREVIOUSLY HOSPITALIZED WITHIN THE 8 MONTH PERIOD OF JAN - AUG 1993

257 of all these 1,118 patients (23%) have case managers.

DIAGNOSES OF PEOPLE HOSPITALIZED MORE THAN ONCE:

SCHIZOPHRENIA ------- 22
BIPOLAR ------------- 19
DEPRESSION ---------- 14
SCHIZOAFFECTIVE ----- 15
PERSONALITY DISORDER 3
SUBSTANCE ABUSE ----- 3 (with no other diagnosis)
PTSD ---------------- 4
DELUSIONAL DISORDER - 1
DYSTHYMIA ----------- 1
ADJUSTMENT DISORDER - 1
PSYCHOTIC DISORDER - 1
ANXIETY ------------ 1

82.4% have diagnoses of schizophrenia, bipolar illness, depression, or schizoaffective disorder (likely to be DMH priority clients).

ADMISSIONS AND DISCHARGE DATA FOR JAN - AUG 1993

593 WERE HOSPITALIZED ONCE — 1118 = total no. of patients
154 WERE HOSPITALIZED 2 TIMES
44 WERE HOSPITALIZED 3 TIMES
15 WERE HOSPITALIZED 4 TIMES
6 WERE HOSPITALIZED 5 TIMES
1 WAS HOSPITALIZED 6 TIMES
2 WERE HOSPITALIZED 7 TIMES
2 WERE HOSPITALIZED 8 TIMES
1 WAS HOSPITALIZED 10 TIMES

DIVIDING THE PATIENTS INTO TWO GROUPS: THOSE MANAGED BY MHMA AND THOSE MANAGED BY DMH, GIVES THE FOLLOWING RESULTS:

MHMA PATIENTS	# HOSPITALIZATIONS		REPEAT HOSPITALIZATIONS
362 HOSPITALIZED ONCE	362	27% were	
86 - 2 times	172	hospitalized	86
26 - 3 times	78	more than once	52
11 - 4 times	44		33
5 - 5 times	25		20
1 - 6 times	6		5
2 - 7 times	14		12
2 - 8 times	16		14
495 PATIENTS	717	HOSPITALIZATIONS	222 REPEAT HOSPITALIZATIONS

31% OF THE HOSPITALIZATIONS ARE OF MHMA PATIENTS WHO WERE PREVIOUSLY HOSPITALIZED WITHIN THE 8 MONTH PERIOD OF JAN - AUG 1993.

DIAGNOSES OF PATEIENTS WHO WERE HOSPITALIZED MORE THAN ONCE:

DEPRESSION -------- 33
BIPOLAR ---------- 22
SCHIZOPHRENIA ----- 21
SCHIOZFFECTIVE ---- 13
PTSD ------------- 10
PERSONALITY DIS ---- 9
SUBSTANCE ABUSE ---- 8 (with no other diagnosis)
PSYCHOTIC DISORDER 4
DYSTHYMIA ---------- 4
ADJUSTMENT DISORDER 2
DEFIANT DISORDER --- 2
CPNVERSION --------- 1
OBSESSIVE-COMPULSIVE 1
ANXIETY ---------- 1

58% have diagnoses of depression, bipolar, schizophrenia, schizoaffective disorder (likely to be DMH priority clients).

EXHIBIT #26

(6)

orksheet 3.1
ccounts Receivable Reconciliation — Fiscal Year 1994 Quarter Ending 30-Sep-93

rovidence Hospital, Inc	Gross Charges	Deductions	Net Rev	Cash to date	Accrued Days
. Accounts Receivable					
1. Medicare A	$347,993	$247,105	$100,888	$40,263	366
2. Medicare B					
3. Blue Cross					
4. Commercial Insurance					
5. HMO					
6. Other	$145,729	$145,729	$0		137
7. Medicaid	$502,082	$207,537	$294,545	$37,682	528
8. Medicaid Pending					
9. Free Care Payments	$418,456	$244,297	$174,159		490
10. Bad Debt					
11. Self Pay					
12. Total	$1,414,260	$844,668	$569,592	$67,945	1513

orksheet 3.2
ccounts Receivable Reconciliation — Fiscal Year 1994 YTD Through 30-Sep-93

Providence Hospital, Inc	Gross Charges	Deductions	Net Rev	Cash to date	Accrued Days
1. Accounts Receivable					
1. Medicare A	$347,993	$247,105	$100,888	$40,263	366
2. Medicare B					
3. Blue Cross					
4. Commercial Insurance					
5. HMO					
6. Other	$145,729	$145,729	$0		137
7. Medicaid	$502,082	$207,537	$294,545	$37,682	528
8. Medicaid Pending					
9. Free Care Payments	$418,456	$244,297	$174,159		490
10. Bad Debt					
11. Self Pay					
12. Total	$1,414,260	$844,668	$569,592	$67,945	1513

EXHIBIT #27

D.M.H.
WESTERN MASS
INPATIENT SERVICES
FY "95"

	ACUTE CARE		SECURE REHABILITATION
	PROVIDENCE HOSPITAL AT CRH-W	BERKSHIRE MEDICAL CENTER	SPRINGFIELD MUNICIPAL HOSPITAL
NUMBER OF PATIENT (BEDS)	34	8	30
TOTAL PROGRAM COST	6,960,302	1,642,697	4,617,118
3rd PARTY REIMBURSMENTS (including Medicare)	2,212,259	430,170	101,615
FEDERAL SHARE OF MEDICAID (FFP)	1,104,681	394,774	1,995,920
NET STATE COST	3,643,308	817,753	2,519,583
STATE COST FOR PATIENT/BED DAY	326.20	311.17	255.67

FY "95" - Total State costs for Western Mass Replacement Inpatient Services $ 6,980,644.00

Net State cost for Patient Bed/day $ 295.14

FY "92" - Total State costs for Northampton State Hospital $14,561,285.00

Cost per Northampton State Hospital patient bed/day $ 402.00

inptserv.frm

EXHIBIT #28

SUMMARY REVIEW OF CRHW/DMH CONTRACT

CONTRACT RECONCILIATION AND SUMMARY OF EXPENSES; III PARTY NET REVENUES; DMH PAYMENTS; UTILIZATION ANALYSIS

MAY 13, 1992 TO JULY 31,1993

		4/92-6/92	7/92-9/92	10/92-12/92	1/93-3/93	4/93-6/93	7/93-9/93	4/92-9/93	
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	
IV.	Assessment of Actual Per Patient Bed Day Cost:								
1	# Bed Days	926	2,682	3,450	3,489	3,358	1,186	15,091	27.95 ALOS
2	# Admissions	73	117	120	92	105	33	540	
3	Per Pt. bed day	$1,045.55	$665.77	$560.39	$523.63	$577.43	$521.89	$601.16	
	(Line II.-1. divided by Line IV.-1.)								
4	Per Admission:							$16,800	
	(Line II.-1 divided by Line IV.-2.)								

V.	Analysis of Source of funds:	Actual	Aver. PPBD	% of Rev.
1	Third Party Net Revenues (excluding Uncompensated Care Pool funds [line I. 6.] and Medicaid [line I. 7.])	$789,891	$52.34	9%
	State/Federal Payments:			
2	Medicaid payments to Holyoke Hospital (Line I. 7. above)	$108,829	$7.21	1%
3	Medicaid payments made to Dept. of Mental Health for services from 7/1/92 to 7/31/93	$668,159	$44.28	7%
4	Uncompensated Care Pool payments to Holyoke Hospital for DMH patients (Line I. 6. above)	$153,043	$10.14	2%
5	D.M.H. Covered Costs *(D.M.H. pmts. to Holyoke Hospital [line III. 1.] less Medicaid pmts. to D.M.H. (Line V.3.)*	$7,352,127	$487.19	81%
6	Total Source of Funds:	$9,072,049	$601.16	100%

EXHIBIT #29

Table 3
Comparison of NSH and CRHW Unit
In FY92 Dollars

		NSH FY92 *Based on Actual FY91 + RSC Infl*		CRHW *(17 Months)*	
		Total	Source[2]	Total	Difference
1	RSC inflation % for NSH for FY92	12.75%	4/7/92 RSC		
I.	**Utilization**				
2.	Total bed days	44,766	Sch. 3	16,834	
3.	Average census	122.65		33.01	
4.	Licensed Capacity:	52,925	Sch. 3	20,250	
5.	% of Capacity	85%		83%	
II.	**Expenses**				
6.	**Total Direct Care Cost**	$7,901,797	Sum + 25% fring	$5,578,452	
7	Per patient beddav	$176.51		$331.38	+$154.87
8.	F T E.'s	202.00	Sch.2	87.00	
9.	# FTE per patient	1.65		2.64	0.99 +60%
10.	**Interest**	$167,055	Sch. 24	$131,954	
11	Per patient beddav	$3.73		$7.84	+$4.11
12	**Deprec/leases**	$1,402,908	Sch. 24	$1,657,594	
13.	Per patient beddav	$31.34		$98.47	+$67.13
14.	**Overhead**	$8,696,285	Sum + 25% fring	$3,529,920	
15.	Per patient beddav (Include profit margin)	$194.26		$209.69	+$15.43
16	**Total:**	$18,168,460	Sch. 24	$10,898,447	1.6 x
17.	Per patient beddav	$405.85		$647.41	+$241.55
III.	**REVENUES:**				
18.	Third Party Fees & Free Care Pool	($196,413)	Sch. 24	[illegible]	
	Medicaid/Medicare/Com. Insur:				
19.	Net Contract Cost to State:	$17,972,048		[illegible]	
20.	Per patient beddav	$401.47		$160.24	($241.23)
21.	State Share of Medicaid (50%)	$0		[illegible]	
22.	State Free Care Pool Costs	$0		$377,571	
23.	Total Net State Cost:	$17,972,048		$6,419,792	
24.	**Per patient beddav**	[illegible]		[illegible]	($20.11)
IV.	**COST AVOIDANCE**				
25.	Renovations @$8.25 Million				
26.	Dep @ 20%	$1,650,000	DMH estimate		
27.	Bond Int. @ 6%	$495,000			
28.	Total Ren. Cost Avoidance:	$2,145,000			
29.	Per pt. beddav	$47.92		$0.00	
30.	**Adjusted Net State Cost:**	$449.38		$381.38	($68.02)

Flnt: 1 Source for FY90 and FY91 NSH Costs are I
2 FY 1992 costs for NSH are adjusted by the

This analysis is dependent on data reflected on the RSC
In a different manner than equivalent costs are reflected i

EXHIBIT #30

HCFA REQUIREMENTS TO BE MET WITHIN CHARLES RIVER HOSPITAL-WEST AGREEMENT WITH HOLYOKE HOSPITAL

The HCFA State Operations Manual, Section 2024, specifies four areas that must be addressed for beds to be properly certified if they are at a site remote from the parent hospital under whose provider agreement inpatient services will be provided.

If the 60 Holyoke beds located at CRH-W are properly certified as HH beds, then no IMD issue should arise.

The following is a list of the four conditions and rationale for proper certification of the 60 beds as HH beds. Operational language should appear in the agreement to ensure that the four tests are met:

1. Ownership Test:

Five years of developmental work document that the initial 24 beds were always intended to be HH beds.

The 24 HH beds will only temporarily be housed at CRH-W, for a period of up to 18-24 months at the outside, while the permanent unit at HH is being renovated or built.

HH has the DON for the 24 acute psychiatric hospital beds. HH has requested and received approval from the MA DPH for an emergency and temporary transfer of site for the 24 beds unit from HH in Holyoke to CRH-W in Chicopee.

The additional 36 beds will eventually belong to other acute general hospitals in Western Mass. in the same manner that the 24 beds belong to HH. The Mass. Dept. of Mental Health will issue RFPs for the 36 beds. Well documented DMH plans call for these beds to be located in the Springfield area,

Berkshire area and the Franklin County area. A number of acute general hospitals in these areas have sent letter of intent to DMH, expressing interest in adding psychiatric units.

HH hospital will request and receive approval from the Mass. DPH to increase temporarily its DON from 24 to up to 60 beds, on an emergency basis per state regulation, such that a rationale and planned relocation of all 60 beds in acute general hospital replacement units may take place safely and swiftly.

HH has agreed to perform this temporary function for the Mass. DMH, with the approval of the Federal District Court-Brewster Consent Decree.

The 60 adult psychiatric beds will serve the needs of patients now cared for at the Northampton State Hospital. This patient population has a much higher incidence of medical/surgical illness and substance dependency disorders than general adult psychiatric populations, and so on clinical grounds are more prop.. -erved in acute general hos- . -hat in freestandi.g psychiatric facilities.

CRH-W has agreed to house and manage the 60 beds, on a temporary basis, for HH and under HH direction and owne .
HH will have overall responsibility and accountability . ne operation of the 60 beds.

2. **Administrative Control and Authority:**

The President/CEO of CRH-W will report directly to the President/CEO of HH or his designee for purposes of the operation of the 60 HH beds at CRH-W.

Billing and revenue functions will be the sole responsibility of HH.

HH will be responsible for licensing, surveying and certification activities for the 60 beds, and be a: :ble for the 60 beds unit(s) meeting all applicable fed..., state and local requirements.

HH will be responsible for performing regular oversight activities that ensure that the 60 beds are operated in accordance with the terms of this agreement.

CRH-W will submit documentation of the operation of the 60 beds in the detail, content and format required by HH t. exercise its ownership and control functions and authorities.

3. **Clinical Control and Authority:**

The Medical Director of CRH-W will report directly to the Chief Medical Officer of Holyoke Hospital for purposes of the operation of the 60 HH beds located temporarily at CRH-W.

HH's Chief Medical Officer or his designee, and HH's Standing Committees, will review and approve, with whatever modifications are necessary, all policies and procedures applicable to the operation of the 60 beds: including, Quality Assurance, Utilization Review, Infection Control, Pharmacy, Medical Records, etc. functions. Compatible functions at CRH-W will report periodically, as called for in policy and procedure, to their respective authorities at HH, through the CRH-W President/CEO and Medical Director, as appropriate.

4. Medical Staff Privileges and Credentialing:

HH will be responsible for ensuring that all CRH-W medical and ancillary clinical staff who serve patients on the 60 HH bed unit(s) there are granted HH medical staff privileges and are credentialed in accordance with HH policies and procedures deemed to be equivalent after formal review by HH authorities.

Likewise, HH medical staff who serve on HHs existing 24 bed psychiatric unit, must be granted privileges and credentialed by CRH-W, or have HH policies and procedures formally adopted as equivalency by CRH-W authorities.

The mutual granting of medical staff privileges by HH and its 60 beds unit management contractor, CRH-W, will ensure that clinical decisions can be made efficiently and on the basis of individual patient need throughout all of HHs 84 psychiatric beds.

Submitted in Draft: Sept. 16, 1991 L.W. Osborn